PROGRAM - ECONOMIC AID - DEVELOPMENT

6

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

May 10, 1954

CONFIDENTIAL

Mr. Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division
Near East, South Asia and Africa Operations
Foreign Operations Administration
Washington 25, D. C.

Dear Paul:

You will be interested to know of a meeting which I had yesterday afternoon with His Excellency, the Minister of Finance. J. Jefferson Jones III, Counselor of Embassy, and Mohammed Massoud, Arab Advisor for the Embassy, were also present.

The attention of the Minister was called to the following facts:

1. Prior to my arrival here a number of conversations were held between him, Mr. Dunaway and Mr. Jones relative to economic aid for Saudi Arabia.

2. As a result of such conversations, four projects were agreed upon as being the most appropriate under such aid; i.e., water development, Abha-Taif road, Abha dam, and improvement of the Port of Gizan.

3. As soon as official word was received here that both TA and SEA funds were available to this Mission, he was informed of this fact by Mr. Jones and me, and at that same time he stated, in response to a question I asked him, that he would sign the over-all Economic Aid Agreement and that His Excellency, the Acting Deputy Minister of Finance (Shaikh Abdul Aziz Sulaiman), would sign the project agreements thereunder.

4. I had presented to him a draft of agreement covering economic aid; he stated he had no comment to make regarding its contents and would present it to the Council of Ministers for consideration and approval.

Having reviewed the foregoing with His Excellency, the Minister, he was informed of the short time remaining in our fiscal year during which funds allotted for both TA and SEA programs had to be obligated by or under

signed agreements; otherwise such funds would be returned to the U.S. Treasury, thereby eliminating any possibility of their subsequent use. It was also pointed out to him that to get funds for either of the programs from our Congress for subsequent fiscal periods would be exceedingly difficult if funds appropriated for such programs during the present fiscal year are not used.

In view of these facts and the time required to negotiate agreements, the Minister's ideas were requested as to what could be done to expedite action on the part of the Council of Ministers with respect to proposed TA agreements which they have had for consideration and approval; also for the SEA over-all economic aid agreement, bearing in mind that after the latter agreement has been signed, the four respective project agreements still have to be negotiated and signed. The Minister stated that the Council was considering the over-all economic and social development picture and no doubt would be starting soon to consider individual projects thereunder. He stated that he understood thoroughly our concern as well as our position, that he would wire Riyadh (presumably the King, or at least the Crown Prince) on the matter, and would request an immediate reply as to what may be expected of the Council regarding disposition to be given to the TA project agreements, as well as the over-all economic aid agreement. He stated that he felt he would have a reply within two or three days and would contact us as soon as such reply is received.

In no instance did the Minister refer to such matters as over-all policy considerations, disagreements between the U.S. and Saudi Governments, or any unfavorable aspects of the existing situation. As a matter of fact, both Mr. Jones and I felt rather encouraged by the friendliness and cooperativeness displayed by His Excellency.

I had prepared a letter pointing out more or less the same facts which we gave the Minister, which letter, after having cleared the Embassy, I had planned on sending to either the King, as President of the Council of Ministers, or to Crown Prince Faisel, as Deputy President of the Council of Ministers.

In view of the fact that the Minister offered to contact Riyadh on the matter, I felt that I should not send my letter, but instead - await the reply from the Minister. Based on that reply, it can be decided whether or not a letter to the King or Crown Prince would be in order, and what the gist of such letter should be. In the event that it is considered advisable that a "strong" letter be sent, of course I shall cable the proposed text to FOA/W for approval before transmitting it. I shall keep you informed as to developments of interest in the situation here.

As a matter of interest to you, Bob Dolley just received a note this afternoon from Rajai Husseini, Advisor to Prince Talal, Minister of Communications, in which the question was raised as to whether part of the money

allocated for roads under Economic Aid could be used for Communications (presumably telephone). This could imply that project agreements are now being considered by the Council and in a favorable light. I told Bob to reply in a purely personal way that it was his feeling that such a shift in the use of those funds could be made, subject to the prior approval of the Director of the Mission and FOA/W.

Sincerely,

Harland J. Corson
Director
USA Operations Mission
to Saudi Arabia

HJCorson:o

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

May 2, 1954

CONFIDENTIAL

Mr. Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division
Near East, South Asia and Africa Operations
Foreign Operations Administration
Washington 25, D. C.

Dear Paul:

For your information, I am attaching copy of the memorandum which I handed Ambassador Wadsworth prior to his departure for Riyadh where he is having discussions with the King on political matters of which I know you are aware.

Ambassador Wadsworth stated that he hoped to be able to discuss our situation with the King and as a result of such discussions, the Council of Ministers would give early action to the project agreements which it has for consideration and approval.

Sincerely yours,

Harland J. Corson
Director
USA Operations Mission
to Saudi Arabia

Enclosure -
Ltr to Ambassador
dtd April 27, 1954

HJCorson:c

USA OPERATIONS MISSION TO SAUDI ARABIA
Jidda

April 27, 1954

My dear Mr. Ambassador:

I should like to give you herewith a resume of our activities, both past and present, in Saudi Arabia. For your ready reference, I am attaching copies of my letters to you dated January 4 and January 8 in this connection.

On December 11, 1953, we received budget approval and covering allotment of funds for our FY-54 technical assistance activities totaling $1,462,000. Several weeks later we received an additional allotment of funds under Special Economic Aid totaling $3,350,000, likewise for FY-54 projects. We immediately proceeded to prepare project agreements under the Technical Assistance budget. These were presented to the respective Ministries as they were completed, for their consideration and approval. With the exception of the Maternal and Child Health Center project agreement and the Vaccine Laboratory agreement, both in reality of last year's vintage, all of the other project agreements are still in the hands of the respective Ministries unsigned and most of them not even discussed with us. Of course, we know that agreements must be approved by the Council of Ministers prior to their execution but it would seem that the respective Ministries would want to discuss with us project agreements which we submitted to them for consideration, prior to their presenting them to the Council of Ministers for approval.

During the past few weeks I have been informed on several occasions by Mr. Sadek Husseini, Director of Liaison, that I will be called to Riyadh to discuss and execute pending project agreements, but I am still waiting for such a call and have no idea as to when I will receive it. As you know, funds unobligated at the close of each fiscal year are returned to Treasury. Now at the end of April, we still have only a very small part of our authorized technical assistance funds obligated and none of our special economic aid funds. At least since my arrival here October last, this Mission has made every effort to be of assistance to the Saudi Arabian Government Ministries, but such efforts have been accepted only with mediocrity. We have stood ready and still stand ready to do everything in our power to help the Saudi Arabian Government

The Honorable George Wadsworth,
American Embassy,
Jidda, Saudi Arabia

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improve its administration, to prepare and implement economic development projects and, in general, to help the Saudi Government in any way we can to relieve its "growing pains." It is quite apparent that this Mission for one reason or another has never been given the chance to show what it can do for the Saudi Government and the Saudi people. We have highly qualified and outstanding specialists here waiting for something to do. All of them came here ready, willing and able to assist in work involving their respective fields of activity. Not having been given this chance and after waiting around for months, it is quite natural that they feel very discouraged and yet, in spite of such discouragement, they are still anxious to do what they can in the job for which they were assigned here.

In addition to the technical assistance project agreements presumably under consideration by the Council of Ministers, that entity also has for consideration the over-all Economic Aid Agreement. For some time we have had project agreements under that over-all agreement ready for presentation to the respective Ministries through the Council of Ministers for their consideration and approval after the over-all agreement has been executed. Here again we are completely stymied.

As you know, all agreements require discussion, writing and rewriting before final execution. There are eleven agreements in Riyadh awaiting approval by the Council of Ministers, including the over-all Special Economic Aid agreement. In addition to these, we have four special economic aid project agreements ready to present for consideration and approval after the over-all agreement has been signed. We are still awaiting an opportunity to discuss with the Minister of Education a school planning project; also with the Minister of Finance an aerial magnetic survey, both of which we know are of interest to these respective Ministers. After we have obtained their views regarding these projects, we can then prepare immediately project agreements for submission to the Council of Ministers for approval during the present session.

I should like to remind you, too, that we have prepared organization charts, accompanied by individual job descriptions, for the Ministries of Communications, Education and Agriculture, and have offered to do likewise for the Ministry of Commerce. For the Ministry of Agriculture we prepared a detailed five-year plan. Our newly created Public Administration Division is getting underway in the Ministry of Finance.

It is really a pity that so much time and opportunity is being lost, all against the best interests of the Saudi Arabian Government and the Saudi people. It is sincerely hoped that arrangements will be made soon whereby our FY-54 technical assistance and special economic aid projects can get under way, and that a recurrence of present delays will be avoided in the future. We have much to offer, but little has been accepted.

Sincerely yours,

HJCorson:o

UNITED STATES OF AMERICA

~~TECHNICAL COOPERATION ADMINISTRATION~~

**USA OPERATIONS MISSION TO SAUDI ARABIA**

**Jidda**

January 4, 1954

My dear Mr. Ambassador:

In order that you may have some idea as to the extent of our present operations in Saudi Arabia, the following information will be helpful to you.

1. The activities of USAOM for the FY-54 period comprise technical assistance programs and economic aid projects. U.S. funds for the above programs total $1,462,000, and for the above projects $3,350,000. Although SAG contributions have not been agreed upon as yet, it is expected that they will be from two to three times greater than U.S. contributions.

2. Technical assistance programs comprise the following fields of activity:

| | |
|---|---|
| Agriculture | Health and Sanitation |
| Natural Resources | Public Administration |
| Education | Transportation and Communications |

Economic aid projects comprise the following fields of activity:

Water development
Roads
Abha Irrigation Dam, and
Improvement of the Port of Gizan.

3. Our FY-54 budget was approved the latter part of November last, but the allocation of funds was not made until about the 10th of December last. We are now awaiting the final text from Washington of the diplomatic notes to be exchanged with SAG setting up the FY-54 technical assistance and economic aid programs/projects; also the agreement form to be used for the economic aid projects. After this exchange of diplomatic notes has been completed and the economic aid agreement has been executed, there will be another exchange of diplomatic notes - prescribed in the TCA Manual dated September 1, 1953 - establishing the cooperative service type of agreement. After this latter exchange of diplomatic notes has been completed, then we will immediately negotiate program agreements under technical assistance and project agreements under economic aid.

Ambassador George Wadsworth,
United States Embassy,
Jidda, Saudi Arabia

I will be glad to go into detail regarding any of our activities at any time with you.

Sincerely yours,

HJCarson:o

COPY

USA OPERATIONS MISSION TO SAUDI ARABIA
Jidda

January 8, 1954

My dear Mr. Ambassador:

The following information will give you a brief resume of the U.S. technical assistance activities in Saudi Arabia up to the present.

According to information available here, technical assistance was first requested of the U.S. Government by the Saudi Arabian Government in 1949, when the Saudi Arabian Government requested assistance in developing and carrying out a water development program. Dr. Glen Brown was assigned to this job and work was started early in 1950, under Public Law 403, under a grant from the State Department. $55,000 was made available to Dr. Brown and his assistant, Roy Jackson, to cover aerial photography in the Asir-Tihama area involving about 20,000 square miles. Field work was started in the Fall of 1950, but was interrupted frequently by urgent calls from the King and/or Minister of Finance to develop water supply for Riyadh and other centers of population. Two years later the field work in the Asir-Tihama area was finally completed and exploratory drilling was started by Bechtel, SAG contractors. $650,000 of equipment was purchased by the Saudi Arabian Government and the cost of drilling crews and expenses was borne by the Saudi Arabian Government, plus cost of furnished housing for Dr. Brown, Mr. Jackson and their families.

On January 17, 1951, the U.S. Government and the Saudi Arabian Government executed an agreement whereby the former would provide technical assistance to the latter for the purpose of developing the economic resources and productive capacities of Saudi Arabia. The first two requests made by the Saudi Arabian Government for assistance under that agreement were in the fields of water development and public finance, including currencies, tariffs and customs. Mr. Arthur Young was sent here in February 1952 from the United States to study the public finance situation and as a result of such study he proceeded to set up what is now known as the Saudi Arabian Monetary Agency. This job was completed and Mr. Young returned to the United States in October 1952. Mr. Robert Kennedy was sent here from the United States in August 1951 to study and revise tariffs. His activities culminated in a new Tariff Law becoming effective on December 3, 1952.

Mr. George Wadsworth,
United States Ambassador,
American Embassy,
Jidda, Saudi Arabia

In February 1952, Dr. Samuel Stratton was appointed the first Country Director of this Mission, remaining in that post until December of the same year, when his appointment expired. During his administration program agreements in the respective fields of activity were executed, as well as the agreements covering the Riyadh-Jidda Railway Survey and the Community Development. Although negotiations were carried on in other fields of activity, there were only four project agreements executed during the FY-53 period under the above program agreements -- (1) Aerial Survey, involving a U.S. expenditure of $115,000; (2) Railway Survey, involving a U.S. expenditure of about $300,000; (3) Quarantine Station, involving a U.S. expenditure of $100,000 ($50,000 of which was to carry over into FY-54), and (4) the Community Development, involving a U.S. expenditure of $500,000. In addition to the above expenditures, there was the cost of U.S. Technicians on each project. The Saudi Arabian Government contributions for the above projects comprised -- (1) Quarters, subsistence and supplies for crews, as well as gasoline, oil and oxygen; (2) equivalent of $27,000 for gasoline, oil and other supplies, housing and subsistence in Jidda for project manager and technicians, aircraft and crews for aerial reconnaissance; (3) about $10,000 in modification of existing buildings, installation of electric generator and cost of installation of U.S. equipment, and (4) $500,000 in kind and cash.

During the past year and a half 24 training grants have been issued, averaging about $4,000 each, the Saudi Arabian Government contributing about the same amount.

Mr. John Dunaway arrived here in October 1951, to study and make recommendations on Customs administration. Many recommendations were made for improvement in procedure and administration of Customs but to date only a few have been made effective in spite of Mr. Dunaway's efforts, until October 1953, when he returned to the United States.

During the FY-53 period, little was accomplished in the Education and Agriculture fields, due to the adverse attitude on the part of the Saudi Arabian Government towards outside assistance in educational work and lack of any sort of agricultural organization within the Saudi Arabian Government.

During FY-54 the following projects have been or are being drawn up:

| | | |
|---|---|---|
| Agriculture | 1) Livestock Improvement Farm near Jidda | ($42,300); |
| | 2) Demonstration drainage and experimental station at either Qatif or Hofuf | ($38,000); |
| | 3) Three demonstration range management plots | ($12,300). |
| Education | 1) Dammam Industrial Training School | ($75,000); |
| | 2) Jidda Commercial School | ($58,300); |
| | 3) Elementary School planning | ($ 9,000). |

| | | |
|---|---|---|
| Health and Sanitation | 1) Quarantine Station at Jidda | ($50,000); |
| | 2) Maternal & Child Health Center at Jidda | ($ 7,500); |
| | 3) Medical Library at Jidda | ($ 2,000); |
| | 4) Immunization Program and Vaccine Laboratory at Taif | ($85,000). |
| Natural Resources | 1) Establishment of Meteorological and Stream Gauging Station | ($ 6,000); |
| | 2) Mineral Geological Survey of Western Areas | ($70,000). |
| Transportation and Communications | 1) Installation of VOR equipment at Jidda | ($75,000). |

Although there are no specific projects under Public Administration, assistance in the fields of accounting, budgets, public administration, statistics and investment climate will be afforded provided FOA/W recruits requested personnel soon.

As of this date, the status of our FY-54 projects is as follows:

| | |
|---|---|
| Actually executed - | Maternal & Child Health Center.<br>Quarantine Station. |
| Signature expected any time - | Jidda Commercial School.<br>Dammam Industrial Training School. |
| Ready to be presented for signature - | Livestock Improvement Farm.<br>Medical Library.<br>Installation of VOR at Jidda. |
| To be finished for presentation for signature | Demonstration Drainage and Experimental Station.<br>Demonstration Range Management.<br>Immunization Program and Vaccine Laboratory. |
| Yet to be discussed with the Saudi Arabian Government - | Elementary School Planning.<br>Establishment of Meteorological and Stream Gauging Station.<br>Mineral Geological Survey. |

We expect to have all agreements executed within sixty days after the exchange of diplomatic notes is completed.

Sincerely yours,

HJCorson:o

# GENERAL AGREEMENT FOR SPECIAL ECONOMIC AID
# BETWEEN
# THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA
# AND
# THE GOVERNMENT OF THE UNITED STATES OF AMERICA

The Government of the Kingdom of Saudi Arabia and the Government of the United States of America have agreed as follows:

In accordance with discussions held between representatives of the Government of the Kingdom of Saudi Arabia and of the Government of the United States of America, concerning assistance by the latter designed to promote economic development of Saudi Arabia, the Government of the United States of America, in accordance with the following understandings, is prepared to provide to Saudi Arabia for this purpose special economic assistance in addition to assistance furnished under the provisions of the Point IV General Agreement for Technical Cooperation.

1. The furnishing of any economic or technical assistance by the Government of the United States of America to the Government of the Kingdom of Saudi Arabia under this agreement will be based on requests to be made by the Government of the Kingdom of Saudi Arabia and approved by the Government of the United States of America, and will be subject to terms and conditions prescribed by any applicable United States and Saudi Arabian legislation.

2. In order to provide maximum benefits to the people of Saudi Arabia from such assistance, our two Governments will cooperate to assure that such commodities or services as may be furnished under this agreement will be procured at reasonable prices and on reasonable terms, and will be distributed

and utilized in Saudi Arabia in furtherance of the purposes of this agreement and on terms and conditions acceptable to both Governments.

3. It is understood that the Government of the Kingdom of Saudi Arabia, in consonance with its primary sovereign responsibility for the economic development of Saudi Arabia, will assume an effective share of the costs of this joint program as may be mutually arranged between the two Governments, and that the contemplated assistance on the part of the Government of the United States of America will be designed to supplement rather than to replace the expenditures assumed by the Government of the Kingdom of Saudi Arabia. Within the effective share assumed by the Government of the Kingdom of Saudi Arabia will be such funds as may be required to defray the local costs of agreed projects, including expenditures incident to the administration of assistance under this agreement.

4. The Government of the Kingdom of Saudi Arabia will furnish to the Government of the United States of America such information and data as may be requested in order to facilitate the consideration of assistance proposals made by the Government of the Kingdom of Saudi Arabia and evaluation of effectiveness of assistance furnished, and shall give publicity to these programs of assistance as provided in Article II of Point IV General Agreement for Technical Cooperation.

5. The responsibilities of the Government of the United States of America in Saudi Arabia in connection with this program will be carried out by designated representatives (including contract personnel engaged in activities under this agreement) who will be accorded privileges and

immunities specified in Article IV of Point IV General Agreement for Technical Cooperation between the two Governments of January 17, 1951. The Government of the Kingdom of Saudi Arabia will further give full cooperation to such representatives, including provision of facilities necessary for observation and survey of operations pursuant to this agreement and use of assistance furnished under it.

6. It is understood that this agreement is complementary to and does not supersede any existing agreements between the Government of the Kingdom of Saudi Arabia and the Government of the United States of America.

7. This agreement shall enter into force on the day on which it is signed and shall remain in force until three months after receipt by either Government of written notification by the other of intention to terminate the agreement.

FOR THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA:

Shaikh Abdullah Sulaiman
Minister of Finance

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

George Wadsworth
American Ambassador

Jidda, _____
(date)

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USA OPERATIONS MISSION TO SAUDI ARABIA
Jidda

CONFIDENTIAL

March 29, 1954

Mr. Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division
Near East, South Asia & Africa Operations
Foreign Operations Administration
Washington 25, D. C.

Dear Paul:

Referring to your letter of March 2nd, together with enclosures, with respect to the utilization of funds authorized under special economic aid, and the public works program now being carried out in Iraq:

We were very much interested in the plan adopted for Iraq for the construction of highways and the general improvement of their Bureau of Public Works under the supervision of Edwards, Kelcey & Buck. However, here in Saudi Arabia we feel that we have an entirely different situation to face. In the first place, at the present time there is no Department of Public Works for the country, and such work as is necessary along these lines is being done by the German construction firm, "Govenco", which took over the first of this year when Baker Construction Co. stepped out. Most of their work is small building, such as houses, warehouses, etc., for members of the Royal family and the Government, and a general maintenance program of such buildings, property, etc. Nothing along the lines of large general construction work has been done by either Baker or the present company. Last year, Baker Co. did lay down an asphalt covering on one of the main streets of Jidda, but its present condition in places is almost impassable.

Prince Talal, Minister of Communications, under whose jurisdiction a Department of Public Works would come, is most anxious to have such a Department set up.

Secondly, as you are quite aware, we do not have in this country the type of trainee which could readily be placed in a Bureau of Public Works due to the fact that most of the locals here are without a good basic educational background to carry out such an assignment. I would assume from reading your letter and enclosures that the trainees in Iraq did have such an educational background. The engineers now doing work in this country are from Egypt, Palestine, Lebanon, Syria, etc., and for the most part have engineering degrees from recognized schools in America, Europe and other parts of the world.

You may rest assured that if it is at all possible to help this Government, we want to do it, even to the extent of situations such as set forth in the

foregoing paragraphs. I would indeed be pleased to talk with either Mr. Kelcey or Mr. MacDonald for the purpose of finding out in what manner a similar program could be inaugurated here. In this connection, I shall cable Iraq inviting either one of these gentlemen to come to Jidda for this purpose, if they so desire.

Prince Talal seems to have in mind great plans for a highway system throughout Saudi Arabia. We feel, however, that the actual construction work on such a system should be carried out by the Government itself, rather than letting out contracts to various firms, and thereby save the Government a considerable amount of money. However, in order to carry out this plan they would need assistance from us in the way of a qualified highway engineer or engineers for the purpose of supervising, planning, etc. the work. It would be in this manner that possibly some of the Saudi nationals could be trained to a limited extent in this type of work, having in mind their present educational background. If a plan similar to Iraq could be adopted for this country under present conditions, it would, naturally, take care of their road building program, as well as any other public works which they might have in mind. Further, it would set up for them a real Department of Public Works for the entire country.

In connection with the railway survey for the old Hejaz Railroad, we were approached by Prince Talal to ascertain if we could be of assistance in the rehabilitation of this line. I told them that if it were at all possible we would be glad to help them. This railroad is sponsored by a committee representing the Moslem countries, and its present members are from Jordan, Syria and this country. It seems, according to rumors being passed around, that there is considerable pressure being brought forth to restore this line. The only possible way that we could be of assistance in this matter would be the railway survey, as we would not be interested in its construction cost or work. I feel that it is not too much out of line from an assistance program standpoint to do this work along the lines similar work will be done in laying out their highway system. Insofar as the Jidda-Riyadh railway survey is concerned, I have written to you concerning this matter as per my letter of March 10.

I shall keep you advised concerning these matters and give you the results of our discussion with either Mr. Kelcey or Mr. MacDonald.

Sincerely yours,

Harland J. Corson
Director
USA Operations Mission to Saudi Arabia

HJCorson
EFSinclair/pa

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

CHARGE:

CONFIDENTIAL
Classification

Control: TOUGFO #368

TO: FOA/W

DATE: March 24, 1954

USTOTO 295. Breakdown SEA FY 55 2410 is:

Agriculture - Training School US 175 SAG 235 Instructional Equipment 75 Contract services 100.

Health & Sanitation - Health centers and PH training school US 670 SAG 850 Technicians 5 cost 100 equipment supplies 570.

Education - Commercial and industrial training schools US 660 SAG 2250 Technicians 8 cost 200 equipment 282 local personnel 90 other 88.

Natural Resources - Mineral Geological Survey US 178.5 SAG 100.7 Technicians 5 cost 94.5 equipment supplies 56 local personnel 3 other 25.

Transportation & Communications: Engineering surveys roads US 725 SAG 1000 (Jidda Medina 75, Medina Hail 100, Hail Anasia 50, Anasia Riyadh 200, Mecca Riyadh 300) all contract services.

Above figures expressed in thousands.

CORSON

HJCorson:o

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

# TELEGRAM

Foreign Service of the United States of America

INCOMING

CONFIDENTIAL
Classification

Control: USFOTO 275
Recd: Feb 27 03:52Z

FROM: SECSTATE

Date: February 26 2054Z, 1954

Reference: TOSFO 334.

1. Special Aid Agreement previously forwarded Jidda was primarily designed provide covering Agreement for SEA activities which would distinguish such activities from Technical Cooperation Program.

2. Since Fiscal Year 54 Saudi Program consists entirely of projects with Technical Assistance components, aid may be applied to SEA to Saudi (Refer Section 206 MS Act rather than Section 547 which is supplementary). However, in order to preserve distinction between TA Program (Sections 203 and 543 MS Act) and SEA (Section 206 MS Act) it would be necessary in each project or program agreement providing SEA, to indicate that the United States Funds were furnished as special economic assistance rather than technical assistance. The general economic assistance agreement forwarded to you was designed to avoid the necessity of such specific reference in each agreement.

3. Since Economic Aid Agreement is being negotiated in all Arab Countries and has been signed by Israel, State/FOA/W would prefer its adoption Saudi Arabia. However, as indicated USFOTO 242 FOA/W and State prepared reconsider position if you believe difficulties will be encountered in negotiating Special Aid Agreement.

4. For Your Information, if special aid agreement not completed, it will be necessary to cover in each project or program agreement providing SEA, the following points covered in the proposed Special Aid Agreement (References are to paragraphs of it):

(A) Aid subject to US Legislation - Paragraph 1;
(B) Reasonable prices, etc., paragraph 2;
(C) Undertaking contained paragraph 3 re SA contributions to SEA projects or, if amount of contribution specified in such agreement, specification of purposes to include not only program costs but also US expenditures (e.g., for local costs FOA Technician and staff).

LMS

RAND

DIST:
Ambassador
FOA - Action
Lindquist
File

CONFIDENTIAL
Classification

Action: Carson

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

# TELEGRAM

**Foreign Service of the United States of America**

**INCOMING**

CONFIDENTIAL
Classification

Control: USCM 7
Recd: Feb 12/1117Z

FROM: Cairo

Date: February 11133Z, 1954

Sent Department TOUSFO 133 Amman USCM 26 Damascus USCM 2 Beirut USCM 49
rptd info Jidda USCM 7

From Paul

1. Have completed two day session with Representatives Embassy Cairo and Damascus USCM Egypt, Jordan, Lebanon, Gardiner of State and Elmore, Regional FOA Legal Counsel re economic aid Arab States with particular reference FY 55 Congressional presentation. Missions will proceed at once with preparation materials along lines set forth below against deadline of submission in Washington on February 28.

2. Analysis for each country of a basic political and economic considerations which justify economic aid. Re economic considerations, missions will prepare analysis country developmental needs. Within context overall politico-economic justification, projects will be described in some detail, showing relationship overall country development plans and needs. For each project will indicate (1) amount US financing required, broken down into local and foreign exchange costs. (2) amount host country contribution, and (3) extent and nature of other contributions.

3. Economic analysis will include statement of present internal and external financial situation of country based on most recent data with estimate of anticipated direction of change in each during coming year as relevant to explanation of why financing of projects beyond capabilities Government and hence justified for US assistance. Suggest you concert with State to assemble similar relevant information in form suitable for uniform Congressional presentation.

4. Projects in Syria, Jordan and Lebanon will not be inconsistent with plans for unified development of Jordan Valley.

5. To extent possible, account will be taken of other country plans and needs region as whole - e.g., road projects will take into account plans adjacent countries and port development will take into account possibility similar development elsewhere which could more effectively serve regional needs. Missions all support suggestion of program of aid to Civil Aviation as proposed fall 1953 by State and CAA. Presentation to be left to Washington where data is already available.

Action Carson

G. Missions

CONFIDENTIAL
Classification

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# TELEGRAM

Foreign Service of the United States of America

INCOMING

CONFIDENTIAL

Classification

Control: USOM 7

Recd: Page 2

6. Missions will cable brief summary of types of projects for which detailed justification being prepared.

7. Missions are addressing themselves to analysis of problems involved in exchange of aid funds or local currency with special emphasis upon extent to which aid can be provided through exchange of commodities for local currencies.

8. Re Section 550, possibilities wheat in Egypt depend largely on decision as to whether displacement USSR as source fits within law. This matter raised with Washington some time ago and answer awaited. USOM/L outlining in separate telegram additional proposal for transfer wheat stocks. re other countries, no definite indication as to degree to which surplus commodities a possibility, though under present legislative criteria, volume would probably be slight. Assume further guidance will come from Washington as to possible new techniques disposal surplus commodities which would remove present barriers to wider use such commodities.

9. Have agreed on following ranges of FY Assistance against which projects will be submitted, (In millions dollars) Egypt 20-25; Jordan 10-15; Lebanon 10-15 (assuming some assistance Litani); Syria 10-20. Assumption for 54 obligation roughly 25 Egypt, 6 Lebanon, 6 Jordan and 6 Syria. Projects for 55 will be identified in "a" or "b" priority. Total of "A" priority projects to approximate lower range total.

10. Assume that separate FY 55 programming instructions will be sent to Saudi Arabia, which not represented this conference.

kmr

STEVENS

DIST:
Ambassador
FOA - Action
McCullars
File

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Classification

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Action: ~~[illegible]~~ Hazleton (1)

TELEGRAM RECEIVED

FROM:
SECSTATE

DATE: JANUARY 270520/1954

NO: USFOTO CIRCULAR 5

CODE:
UNCLASSIFIED

RECEIVED: JANUARY 270821 Z

SENT ALL FOA MISSIONS USFOTO CIRCULAR 5 RPTD INFO PARIS TOECO 1304 SEOUL FOATO 261 CINCUNC TOKYO FOATO

Randall Commission Report.

Randall Commission Report understudy FOA/W being air pouched tonight for your information. President has written me:

"I am anxious that executive departments and agencies with responsibilities in the area of Foreign Economic Policy proceed immediately with an extensive review of this report as a first step in the formulation of a unified administration program to be submitted to the Congress for its attention during the current session".

STASSEN

lms

DIST:

Ambassador
FOA - Action ✓ -- Info: ~~[illegible]~~
McCullars - Action
File

UNCLASSIFIED

Attached hereto are: Econ Aid Folder

USFOTO 275

" 275

" 242

" 215

263

" 269

" 263

TOUSFO 304

" 290

Joint 341

Execution Special Econ Aid Agree.

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

OFFICIAL - INFORMAL
CONFIDENTIAL

March 9, 1954

Dear Paul:

I refer to the communications exchanged with you relative to the execution of a special economic aid agreement with the Saudi Arabian Government. From such communications you have noted the reasoning behind Ambassador Wadsworth's contentions to the effect that now is not the time to present through diplomatic channels another aid program agreement.

In order to overcome this situation, the thought occurred to me that USAOM could present the terms which were to have been embodied in the diplomatic note, in a simple agreement for presentation to the Minister of Finance on the grounds that he originally signed the Technical Assistance Agreement; also on the grounds that he informed me at the time I told him that economic aid funds had been approved, that he would sign the economic aid agreement. I discussed this with Ambassador Wadsworth and he was quite in accord. Consequently, I prepared a draft of agreement, which the Ambassador approved, as per copy attached, and presented it to the Minister of Finance with the request that he study it and let me have his comments. Several days later he sent word to me that he had no comments to make, and that he would present it to the present meeting of the Council of Ministers for its approval.

I discussed this matter with Norman Paul in Beirut and he, too, was in accord with the above method of handling the FY-54 special economic aid agreement matter.

As soon as the Minister of Finance returns to Jidda after the above-mentioned meeting, I will contact him to discuss the execution of this agreement.

Sincerely yours,

Harland J. Corson, Director
USA Operations Mission to Saudi Arabia

Encl. -
Draft of agreement,
as above

Mr. Paul F. Taggart,
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division,
Near East, South Asia and Africa Operations,
Foreign Operations Administration,
Washington 25, D. C.

HJCorson:o

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

OFFICIAL - INFORMAL
CONFIDENTIAL

March 10, 1954

Mr. Paul F. Taggart
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division
Near East, South Asia and Africa Operations
Foreign Operations Administration
Washington 25, D. C.

Dear Paul:

I wish to thank you for your USFOTO 275 in which you gave me instructions as to how to proceed in the drafting of project or program agreements providing SEA in the event a special economic aid agreement is not executed.

As mentioned in another letter going forward by this mail, I will inform you as to how we will handle the matter of economic aid agreement(s) after the return to Jidda of the Minister of Finance from his participation in the present meeting of the Council of Ministers being held at Riyadh. I do not anticipate any difficulties in executing the proposed special economic aid agreement handed to the Minister, but one never knows what may be done until it is done.

Sincerely yours,

Harland J.Corson
Director
USA Operations Mission to Saudi Arabia

HJCorson:o

CONFIDENTIAL

# TELEGRAM

Foreign Service of the United States of America

INCOMING

CONFIDENTIAL
Classification

Control: USFOTO 275
Recd: Feb 270852Z

FROM: SECSTATE

Date: February 262058Z, 1954

Reference: ~~TOUSFO~~ 304.

1. Special Aid Agreement previously forwarded Jidda was primarily designed provide covering Agreement for SEA activities which would distinguish such activities from Technical Cooperation Program.

2. Since Fiscal Year 54 Saudi Program consists entirely of projects with Technical Assistance components, aid may be applied to SEA to Saudi (Refer Section 206 MS Act rather than Section 547 which is supplementary). However, in order to preserve distinction between TA Program (Sections 203 and 543 MS Act) and SEA (Section 206 MS Act) it would be necessary in each project or program agreement providing SEA, to indicate that the United States Funds were furnished as special economic assistance rather than technical assistance. The general economic assistance agreement forwarded to you was designed to avoid the necessity of such specific reference in each agreement.

3. Since Economic Aid Agreement is being negotiated in all Arab Countries and has been signed by Israel, State/FOA/W would prefer its adoption Saudi Arabia. However, as indicated USFOTO 242 FOA/W and State prepared reconsider position if you believe difficulties will be encountered in negotiating Special Aid Agreement.

4. For Your Information, if special aid agreement not completed, it will be necessary to cover in each project or program agreement providing SEA, the following points covered in the proposed Special Aid Agreement (References are to paragraphs of it):

(A) Aid subject to US Legislation - Paragraph 1;
(B) Reasonable prices, etc., paragraph 2;
(C) Undertaking contained paragraph 3 re SA contributions to SEA projects or, if amount of contribution specified in such agreement, specification of purposes to include not only program costs but also US expenditures (e.g., for local costs FOA Technician and staff).

lms

RAND

DIST:
Ambassador
FOA - Action
Lindquist
File

Info: Taylor
Hamilton
~~Rome~~

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

Econ Aid

1

CHARGE:

CONFIDENTIAL
Classification

Control: PRIORITY
TOUSFO-304

DATE: February 10, 1954

TO: FOA/W

Joint Embassy/USAOM Message.

RE USFOTO 242 Mission has noted Section 706(e) of the Mutual Security Act of 1953 which adds a new Section 547 to the Mutual Security Act of 1951 as amended.

Question: To assist clarifying our thinking, does this Section empower the Director (Stassen) to administer economic aid without the necessity of a new general agreement, i.e., by project agreements only.

CORSON

HJCorson/pa

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

# TELEGRAM

Foreign Service of the United States of America

INCOMING

Mr. Hazelton

CONFIDENTIAL

Classification

Control: USFOTO 263

Recd: February 17 1216Z

FROM: SECSTATE

Date: February 16/1701Z/1954

Subject: Economic Aid Agreement.

Reference: Embtel 348 and USFOTO 242

Joint FOA/State Message.

Re Embtel 348, doubtful Paul can give assistance on problem Economic Aid Agreement since decision must be made hereafter receipt of information requested in last paragraph USFOTO 242, Feb 8.

RAND

lms

DIST:

Ambassador
Nelson - Action
FOA - Action
File

Action Carson

CONFIDENTIAL

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

JOINT EMBASSY - USAOM MESSAGE

CONFIDENTIAL

348

TO: FOA/W

February 11, 1954

Joint Embassy-USAOM Message.

USFOTO 242. Corson will meet with Paul in Beirut between February 21 and 23 to discuss Economic Aid Agreement.

WADSWORTH

HJCorson:o

CONFIDENTIAL

Copy (1) Dept to Cairo

2 Copies only

SECRET

FEBRUARY 00/0901Z48/1950

DEPTO 242

CONFIDENTIAL

FEBRUARY 0908Z12

Joint FOA-State.

Technical Aid Agreement.

TOHFO 290.

Purpose Paul's trip almost exclusively orientation prior appearance principal US witness Congressional Committees connection 1955 appropriation requests. Timing considerations preclude possibility trip Jidda in view necessity cover (1) Countries with large programs and (2) Programs subject special Congressional Interest basis previous questioning. During entire trip Paul intends abstain involvement operational matters in order concentrate primary purpose stated above. Nevertheless, will be glad meet USOM/Embassy representative any convenient point his itinerary discuss subject refed.

FOA/S review of previous correspondence with Jidda re agreements does not disclose any prior indication that Embassy would encounter difficulty in negotiating special aid agreement. In order expedite resolution this matter suggest full report Washington outlining considerations involved your present estimate re probable Saudi Reaction.

STASSEN

lms

DIST:

Ambassador
FOA - Action
Jones - Action
McCullars
File

CONFIDENTIAL

# TELEGRAM

Foreign Service of the United States of America

**OUTGOING**

CONFIDENTIAL
Classification

CHARGE:

Control: TOUSFO #290

TO: FOA/M

DATE: February 2, 1954

For Norman Paul.

USFOTO 215, January 21. After discussing on with Ambassador Wadsworth various aspects diplomatic note transmitted USFOTO 215, January 15, he asked me urge you pay us flying visit from Beirut, being his guest while here, and go carefully with him into basic problems of recent development which afford strong reasons justifying feeling that Saudis will refuse sign proposed agreement for "Economic Aid and Technical Assistance" but instead will prefer continue proceed under existing 1951 "Technical Assistance" agreement.

Actually, envisaged economic aid projects for Saudi Arabia are no different from current technical assistance projects.

I concur with Ambassador that this is not propitious time to propose such new agreement.

Sincerely hope you can accept Ambassador's invitation.

CORSON

HJCorson:o

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Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

Action: Corson
AEC

(1)

TELEGRAM RECEIVED

FROM: SECSTATE

DATE: JANUARY 21/220100Z/1954

NO: USFOTO 215

CODE:

RECEIVED: JANUARY 220823Z

CONFIDENTIAL

1. Norman Paul to be in Beirut February 21 through 23 on short visit through NEA prior Congressional Hearings.

2. Time schedule too tight to permit visit Saudi and many other key countries in area. However, would be happy devote several hours of time in Beirut to discussion key problems Saudi Arabia if you or member your staff can arrange.

3. Sincerely regret inability actually visit your Mission this trip, and hope to soon as possible in future. Working against tight time deadline, however, and number other country programs likely to be subject more detailed discussions during course Congressional Hearings.

STASSEN

lms

DIST:

Ambassador
FOA - Action ✓ — Info: Taylor
McCullars
File

CONFIDENTIAL

5. A. No. King must first get his feet on the ground, budgetwise, etc.

B. This is already recognized as matter of principle; but it will take time to work out application in practice.

(c) No. King is now working on problem. When he gets it going Saudi Arabia may be expected to spend 10 or 20 times amount aid you now contemplate. What is needed here is T.A. plus pump priming for special projects. To require that on each of such projects SAG should spend 4 or 5 times our contribution would be to tie our hands.

6. King has told me he plans 2 budgets, one ordinary, the other "special development" and will establish a "Development Board" to run latter - under his personal direction. See memo my conversation Jan. 1 (?) with him in Dhahran. We shouldn't push him now.

# TELEGRAM

**Foreign Service of the United States of America**

**INCOMING**

FOA

CONFIDENTIAL
Classification

Control: USFOTO 269
Recd: Feb 21, 1257Z

FROM: SECSTATE

Date: February 202200Z

Joint FOA/State Cablegram.

Subject: FY 55 Programming Instructions.

1. Suggest detailed conversation Beirut with Paul/Lippincott re FY 55 programming instructions, reference Cairo TOUSFO 333, with view adhering previously established deadline submission FY 55 Program data FOA/W (Further suggest Amembassy Beirut show Corson joint FOA/State message Amembassy Amman 301) repeated Amembassy Beirut) for statement general criteria governing utilization special economic aid. Appreciate USAOM Jidda submission brief project descriptions FY 55 illustrative program for FOA/W review prior March 5.

2. Consensus indicates undesirable lump illustrative TA figure $1.7 million with special economic funds $3.35 million for purposes Congressional presentation. No real opposition, however, increasing TA segment of utilization TA sum greater $1.7 million FY 55 probable and within established criteria utilization TA funds. Increased TA segment would have effect of redpming special economic funds since Saudi Arabia magnitude remains firm $5.05 million purposes Congressional presentation.

3. Would emphasize difficulty justifying special economic funds Saudi Arabia whose exchange holdings and general financial condition enviable when measured against other Near East areas competing for special economic aid. This difficulty complicated by apparent lack sincerity or active display real self interest Saudi Government, E.G., (A) failure conclude bilateral agreement with minimum delay which infers either ill-defined policy or lack interest within Saudi Government structure concerning use FY 54 special economic funds, and (B) non-efqstence acceptable United States/Saudi Government joint development program designed improve general economic climate, including foreign investment potential, and simultaneously augment living standard within area.

4. Consequently would seem imperative that level United States special economic aid scheduled henceforth Saudi Arabia would (should) be contingent increasing evidence Saudi Government accept US funds as part of coordinated US/Saudi economic development effort. Utilization US aid should be directly related economic development activities concurrently supported by Saudi public funds. Such coordination might best be accomplished through creation Saudi Government national

Classification

still sum on request.

Info: Taylor
Hughton
Goode

U.S. GOVERNMENT PRINTING OFFICE: 1953-242207

CONFIDENTIAL
Classification

Control: USFOTO 269
Recd: Page 2

economic development board, permanently staffed by highly qualified Saudis, serving as counterpart USAOM, Jidda. Inasmuch as country development programs inevitably involve several Ministries, creation Saudi National Planning Board appears less essential to consultation and decision making. Board should be endowed with sufficient power to represent at all times Saudi Government position re utilization United States Aid, also to speak authoritatively concerning utilization Saudi Government funds in conjunction economic development activities especially as such activities complement US contributions.

5. Would appreciate earliest Embassy/USAOM Jidda reaction following:

A. In your considered judgment is time opportune to initiate discussions with Saudi Government looking toward creation of Saudi economic development board, or, alternatively, joint US/Saudi deliberative and policy body as one prerequisite to future availability US special economic aid funds?

B. Is it feasible make clear Saudi Government this juncture that only acceptable basis continuation US special economic aid is as catalyst to coordinated US/Saudi economic development effort aiming at dual objectives: (1) Improved economic climate for foreign investment, coupled with (2) Amelioration general living standard?

(c) Should effort be made simultaneously to attempt to obtain either formal or informal commitment Saudi Government agree contribute general economic development program in approximate magnitude four or five times US contribution, thus leaving annual magnitudes US contributions largely dependent upon Saudi sincerity as evidenced by Saudi Government appropriations for complement ventures?

6. Desire emphasize above inquiries designed create favorable climate for administration/utilization US special economic aid and most certainly not designed gain additional concessions Saudi Arabia. Proposed economic development board should not in any way be subordinate to or controlled by USAOM Jidda; board should be administrative agency sovereign state Saudi Arabia operating in enlightened self-interest Saudi Government and as coordinating agency for effective planning/utilization US special economic aid.

BAIID

lms

DIST:
Ambassador
FOA - Action

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

# TELEGRAM

Foreign Service of the United States of America

INCOMING

CONFIDENTIAL
Classification

Control: USFOTO 263
Recd: February 171216Z

FROM: SECSTATE

Date: February 16/170114OZ/1954

Subject: Economic Aid Agreement.

Reference: Embtel 348 and USFOTO 242

Joint FOA/State Message.

Re Embtel 348, doubtful Paul can give assistance on problem Economic Aid Agreement since decision must be made hereafter receipt of information requested in last paragraph USFOTO 242, Feb 8.

RAND

lms

DIST:

Ambassador
Nelson - Action
FOA - Action
File

Sig. Hazelton

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 243307

DRAFT

Excellency:

I have the honor to refer to recent conversations between representatives of our two governments concerning assistance by my government, designed to promote economic development of Saudi Arabia. My government is prepared, in accordance with the following understandings, both to continue furnishing assistance to Saudi Arabia provided for by the Point IV General Agreement for Technical Cooperation between our two governments and to provide additional special economic assistance for this purpose.

1. The furnishing of any economic or technical assistance by the Government of the United States of America to the Government of the Kingdom of Saudi Arabia under this agreement will be based on requests to be made by the Government of the Kingdom of Saudi Arabia and approved by the Government of the United States of America, and will be subject to the terms and conditions prescribed by any applicable United States and Saudi Arabia legislation.

2. In order to provide maximum benefits to the people of Saudi Arabia from such assistance, our two governments will cooperate to assure that such commodities or services as may be furnished under this agreement will be procured at reasonable prices and on reasonable terms, and will be distributed and utilized in Saudi Arabia in furtherance of the purposes of this agreement and on terms and conditions acceptable to both governments. The Government of the Kingdom of Saudi Arabia also agrees to cooperate with other countries to reduce barriers to international trade.

3. It is understood that the Government of the Kingdom of Saudi Arabia, in consonance with its primary sovereign responsibility for the economic development of Saudi Arabia, will assume an effective share of the costs of this joint program as may be mutually arranged between the two Governments, and that the contemplated assistance on the part of the Government of the United States of

America will be designed to supplement rather than to replace the expenditures assumed by the Government of the Kingdom of Saudi Arabia. Within the effective share assumed by the Government of the Kingdom of Saudi Arabia will be such funds as may be required to defray the local costs of agreed projects, including expenditures incident to the administration of assistance under this agreement.

4. The Government of the Kingdom of Saudi Arabia will furnish to the Government of the United States of America such information and data as may be requested in order to facilitate the consideration of assistance proposals made by the Government of the Kingdom of Saudi Arabia and evaluation of effectiveness of assistance furnished, and shall give publicity to these programs of assistance as provided in Article II of Point IV General Agreement for Technical Cooperation.

5. It is understood that this agreement is complementary to and does not supersede any existing agreements between our two Governments.

I have the honor to propose, if these understandings are acceptable to your Government, that this note, including the attached Annex, and Your Excellency's note concurring therewith, constitute an agreement between our two Governments to enter into force on the date of Your Excellency's reply and remain in force until three months after receipt by either Government of written notification by the other of intention to terminate this agreement.

Accept, Excellency, renewed assurances of my highest consideration.

ANNEX

1. The responsibilities of the Government of the United States of America in Saudi Arabia in connection with this program will be carried out by designated representatives (including contract personnel engaged in activities under this agreement) who will be accorded privileges and immunities specified in Article IV of the Point IV General Agreement for Technical Cooperation between the two governments of January 17, 1951. The Government of the Kingdom of Saudi Arabia will further give full cooperation to such representatives, including the provision of facilities necessary for observation and survey of operations pursuant to this agreement and the use of assistance furnished under it.

2. The Government of the Kingdom of Saudi Arabia will so deposit, segregate, or assure title to all funds allocated to or derived from any program involving the use of contributions by the Government of the United States of America that such funds shall not be subject to garnishment, attachment, seizure, or other legal process by any firm, agency, corporation, organization, or Government when the Government of the Kingdom of Saudi Arabia is advised by the Government of the United States of America that such legal process would interfere with the attainment of objectives of this program.

Action Copy: Corson (1)

TELEGRAM RECEIVED

(Please note: There are no copies in the file)

From: SECSTATE

Date: JANUARY 15/1600222/1954

No: 215

Code: CONFIDENTIAL

Received: JANUARY 16/1145Z

JOINT STATE/FOA MESSAGE

You are authorized proceed with negotiations of specific economic aid agreement on basis model sent USFOTO 143 and also to negotiate project agreements as provided ORG-18, September 1, 1953.

Before presentation to SAG, model draft should have following changes:

1. Appropriate substitution of country names and titles throughout.

2. In numbered paragraph 1 of letter, delete everything after "Prescribed by" and substitute "any applicable United States and Saudi Arabian Legislation".

3. As last sentence of numbered paragraph two of letter, and "The Government of Saudi Arabia also agrees to cooperate with other countries to reduce barriers to International Trade". (This is standard provision in most Aid Agreements designed carry out Congressional interest in expansion of world trade. If its proposal creates problems, however, Embassy is authorized not to press for its inclusion).

4. Delete numbered paragraph 3 of letter and substitute "It is understood that the Government of Saudi Arabia, in consonance with its primary sovereign responsibility for the economic development of Saudi Arabia, will assume an effective share of the costs of this joint program as may be mutually arranged between the two Governments, and that the contemplated assistance on the part of the Government of the United States will be designed to supplement rather than to replace the expenditures assumed by the Government of Saudi Arabia. Within effective share assumed by the Government of Saudi Arabia will be such funds as may be required to defray the local costs of agreed projects, including expenditures incident to the Administration of Assistance under this agreement". Purpose this substitution is meet apparent objective in Embtel 289 of eliminating ceiling on SAG contributions but not to eliminate floor on such contributions as would also be case if Embtel 289 suggestion adopted. Under wording above, Embassy-USOM could ask SAG to pay: (1) local currency administrative costs of United States incident to programs, (2) local proposed expenditures and (3) an agreed share of other costs, including expenditures to be made outside Saudi Arabia).

CONFIDENTIAL

Info copy to Taylor

5. In numbered paragraph 4 of letter, reference should be to Article two rather than Article 6.

6. Delete final paragraph of annex and insert it as numbered paragraph 5 of letter.

7. In final substantive paragraph of letter, say "note concurring therewith" instead of "note in reply". Also delete second alternative in brackets re notification of ratification.

8. In last sentence of paragraph one of Annex reference should be to Article 4 rather than Article 5 to Ja nuary 17 rather than May 5. In last sentence of this paragraph, substitute "operations pursuant to" for "the carrying out of" and also substitute "and" for "including".

9. Subject to comments beginning "however if future programs" in numbered paragraph 3 of USFOTO 153, delete all of numbered paragraph two of annex, this should leave paragraph beginning "The Government" as second and final paragraph of Annex.

Confirmation copy corrected draft follows by air.

DULLES

lms

DIST:

Ambassador
Nelson - Action
FOA
File

TELEGRAM RECEIVED

FROM: SECSTATE WASHINGTON

Date: 050300Z December 4, 1953

No: USFOTO 153

CODE: CONFIDENTIAL

Received: December 5, 1953 4:30 PM

TOUSFO 213.

Following is Joint State-FOA message:

1. No objection your amendment proposed paragraph 1 and first sentence paragraph 2 reference telegram.

2. Suggested deletion latter portion paragraph 3 bilateral unacceptable since purpose language not primarily related to question of convertibility, but rather to principle that recipient countries should pay at least local costs in line with basic cong policy that aid recipients undertake self-help measures to supplement US aid (Section 511 (C), MS act). Recognize that, where recipient's currency may be freely utilized for dollar expenditures, may be preferable refer to "local costs" and "local requirements" rather than to "local currency costs" and "local currency requirements"; accordingly, would concur deletion word "currency" in paragraph 3 bilateral.

3. If FOA special economic aid program proposed for Saudi Arabia for FY 1954 includes only expenditures for salaries and transportation costs of technical experts or project equipment made available for non-commercial enterprises, would have no objection deletion portion of paragraph 2 Annex after first sentence. However, for your information if future programs should ever include any commodities or services from which Government Saudi Arabia might derive sales proceeds or customs receipts, this provision would have to be re-inserted. (Text we have proposed is standard formula for new FOA assistance bilaterals with Near Eastern countries receiving substantial economic and technical assistance. Fact that recipient country has free convertibility own currency does not make counterpart-deposit or other similar local currency fund technique inappropriate. E.g., US government has in past obtained similar bilaterals provisos from other countries enjoying free convertibility, e.g., Thailand, Indonesia in 1950; Portugal; Germany, African DOTS of European countries).

STASSEN

gm

Distribution: CONFIDENTIAL

1-FOA - Action 1-Jones 1-Nelson 1-File

SECURITY INFORMATION

TELEGRAM RECEIVED

USAOM/SA

2110412

**FROM:** SECSTATE WASHINGTON

**Date:** November 20, 1953

**No:** USFOTO 143

**CODE:** CONFIDENTIAL

**Received:** November 21, 1953
6:00 PM

Sent Cairo USFOTO 233 Jidda USFOTO 143 Amman USFOTO 228 from Department.

Following is Joint State-FOA message.

Following is text proposed exchange notes regarding fiscal year 1954 economic and technical aid program for Egypt, and intended as model for other addressees. Separate cables will follow providing negotiation instructions at appropriate time for each mission. Neither text nor substance should be discussed with governments to which accredited pending receipt specific instructions. Addressees requested cable any comments.

Excellency:

I have honor refer recent conversations between representatives our two governments concerning assistance by my government, designed promote economic development of Egypt. My government is prepared, in accordance following understandings, both to continue furnishing assistance Egypt provided for by Point IV General Agreement for technical cooperation between our two governments and to provide additional special economic assistance for this purpose.

1. Furnishing of any economic or technical assistance by government United States to Government Egypt under this agreement will be based on requests to be made by Government Egypt and approved by Government United States, and will be subject to terms and conditions prescribed by United States legislation.

2. In order provide maximum benefits to people Egypt from such assistance, our two governments will cooperate to assure that such commodities or services as may be furnished under this agreement will be procured at reasonable prices and on reasonable terms, and will be distributed and utilized in Egypt in furtherance of purposes this agreement and on terms and conditions acceptable both governments.

3. It is understood that Government Egypt will contribute to this program in such manner and amounts as may be agreed between two governments from time to time Egyptian pounds necessary defray

CONFIDENTIAL

SECURITY INFORMATION

SECURITY INFORMATION

local currency costs agreed projects, including local currency requirements for expenditures incident to furnishing of assistance.

4. Government ~~Egypt~~ SA will furnish to Government United States such information and data as may be requested in order facilitate consideration of assistance proposals made by Government Egypt and evacuation of effectiveness of assistance furnished, and shall give publicity these programs of assistance as provided in Article VI of Point IV General Agreement for technical cooperation.

5. [illegible]

I have honor propose, if these understandings are acceptable your government, that this note, including attached annex, and your Excellency's note in reply constitute an agreement between our two governments enter into force (on receipt your Excellency's reply) (on receipt of notification of ratification by Government Egypt) and remain in force until three months after receipt by either government of written notifications by the other of intention terminate agreement.

Accept, Excellency, renewed assurances my highest consideration.

1. Responsibilities of Government United States in ~~Egypt~~ SA in connection with this program will be carried out by designated representatives (including contract personnel engaged in activities under this agreement) who will be accorded privileges and immunities specified in Article V of Point IV General Agreement for technical cooperation between two governments of May 5, 1951. Government ~~Egypt~~ SA will further give full cooperation to such representatives, including provision of facilities necessary for observation and survey of carrying out this agreement including use of assistance furnished under it.

2. Government ~~Egypt~~ SA will establish in Bank of Egypt L special account (hereinafter called "special account") in name of Government Egypt. Government Egypt will pursuant paragraph 3 this agreement provide from time to time the Egyptian pound necessary defray local currency costs projects agreed to by both governments. As one means of implementing this undertaking, Government Egypt will deposit to special account, upon receipt such currency, local currency accruing to it from sale commodities or services supplied on grant basis under this agreement or otherwise accruing to it as result of import from such commodities or services. Such account shall be drawn upon where local currency requirements of United States Government for administrative and operating expenditures are incident furnishing of assistance under this agreement. Government United States will from time to time notify Government Egypt such local currency requirements and Government Egypt will



SECURITY INFORMATION

hereupon make such sums available from special account in manner requested by Government United States on notification.

Any remaining balance in special account may be drawn upon by Government Egypt for such purposes beneficial Egypt pursuant objectives this agreement as may be agreed from time to time by two governments.

3. The Government Egypt will so deposit, segregate, or assure title all funds allocated to or derived from any program involving use of contributions by government United States such funds shall not be subject garnishment, attachment, seizure, or other legal process by any firm, agency, corporation, organization, or government when Government Egypt is advised by Government United States such legal process would interfere with attainment of objectives of program.

4. It is understood this agreement is complementary to does hod supersede any existing agreements between our two governments.

STASSEN

ga

Distribution:

1-FOA - Action
1-Jones
1-Nelson
1-File

DRAFT

# GENERAL AGREEMENT FOR SPECIAL ECONOMIC AID
# BETWEEN
# THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA
# AND
# THE GOVERNMENT OF THE UNITED STATES OF AMERICA

The Government of the Kingdom of Saudi Arabia and the Government of the United States of America

Have agreed as follows:

In accordance with discussions held between representatives of the Government of the Kingdom of Saudi Arabia and of the Government of the United States of America, concerning assistance by the latter designed to promote economic development of Saudi Arabia, the Government of the United States of America, in accordance with the following understandings, is prepared to provide to Saudi Arabia for this purpose special economic assistance in addition to assistance furnished under the provisions of the Point IV General Agreement for Technical Cooperation.

1. The furnishing of any economic or technical assistance by the Government of the United States of America to the Government of the Kingdom of Saudi Arabia under this agreement will be based on requests to be made by the Government of the Kingdom of Saudi Arabia and approved by the Government of the United States of America, and will be subject to terms and conditions prescribed by any applicable United States and Saudi Arabian legislation.

2. In order to provide maximum benefits to the people of Saudi Arabia from such assistance, our two Governments will cooperate to assure that

such commodities or services as may be furnished under this agreement will be procured at reasonable prices and on reasonable terms, and will be distributed and utilized in Saudi Arabia in furtherance of the purposes of this agreement and on terms and conditions acceptable to both Governments.

3. It is understood that the Government of the Kingdom of Saudi Arabia, in consonance with its primary sovereign responsibility for the economic development of Saudi Arabia, will assume an effective share of the costs of this joint program as may be mutually arranged between the two Governments, and that the contemplated assistance on the part of the Government of the United States of America will be designed to supplement rather than to replace the expenditures assumed by the Government of the Kingdom of Saudi Arabia. Within the effective share assumed by the Government of the Kingdom of Saudi Arabia will be such funds as may be required to defray the local costs of agreed projects, including expenditures incident to the administration of assistance under this agreement.

4. The Government of the Kingdom of Saudi Arabia will furnish to the Government of the United States of America such information and data as may be reqested in order to facilitate the consideration of assistance proposals made by the Government of the Kingdom of Saudi Arabia and evaluation of effectiveness of assistance furnished, and shall give publicity to these programs of assistance as provided in Article II of Point IV General Agreement for Technical Cooperation.

5. The responsibilities of the Government of the United States of America in Saudi Arabia in connection with this program will be carried

out by designated representatives (including contract personnel engaged in activities under this agreement) who will be accorded privileges and immunities specified in Article IV of Point IV General Agreement for Technical Cooperation between the two Governments of January 17, 1951. The Government of the Kingdom of Saudi Arabia will further give full cooperation to such representatives, including provision of facilities necessary for observation and survey of operations pursuant to this agreement and use of assistance furnished under it.

6. It is understood that this agreement is complementary to and does not supersede any existing agreements between the Government of the Kingdom of Saudi Arabia and the Government of the United States of America.

7. This Agreement shall enter into force on the day on which it is signed and shall remain in force until three months after receipt by either Government of written notification by the other of intention to terminate the Agreement.

FOR THE GOVERNMENT OF THE KINGDOM OF SAUDI ARABIA:

Shaikh Abdullah Sulaiman
Minister of Finance

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

George Wadsworth
American Ambassador

Jidda, _____
(date)

Econ Aid
Folder

Attached hereto:

Joint 289

Joint 189
USFOTO 153

TOUSFO 213

" 143

" 167

" 188

Proposed Exchange of Notes

Action Copy: (1) ~~Larson~~ (1)
(2) Files

TELEGRAM RECEIVED

From:
SECSTATE

Date:
JANUARY 4/2023Z/1954

No:
USFOTO 188

Code:
CONFIDENTIAL

Received:
JANUARY 5/0633Z

TOUSFO 233.

Authorization being forwarded as soon as reconsideration requested Embtel 289 reconciles.

STASSEN

lms

DIST:

Ambassador
FOA- Action ✓ – (Info copy to Taylor)
File

To be filed Econ Aid file

CONFIDENTIAL

Econ Aid

# TELEGRAM

Foreign Service of the United States of America

**OUTGOING**

CONFIDENTIAL

CHARGE: Classification Control:

TO: SECSTATE DATE: Dec. 29, 1953

#289

Joint Embassy-USAOM message. Re last paragraph Deptel 189, in view Istanbul discussions re question SAG contributions Technical Assistance and Special Economic Aid recommend proposed note be drafted in such manner as in no way to imply to SAG that host government contributions are to be limited only to local costs. Suggest therefore reconsideration be given recommendations contained paragraphs 2 and 3 TOUSFO 213.

JONES

JJJones/HJCorson/djh

CONFIDENTIAL

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

Action: Gibson (1)

TELEGRAM RECEIVED

FROM: SECSTATE

DATE: December 24/2026Z, 1953

No: 189

CODE: CONFIDENTIAL

Received: December 25/1156Z

This is joint State/FOA Message.

Bureau of Budget has apportioned special economic aid funds under referenced Deptel 137.

Department expects next week to authorize Embassy to exchange diplomatic notes as set forth USFOTO 153.

DULLES

l:s

DIST:

Nelson - Action
Jones
~~FAD~~ FOA-Action
File

(Info: (1) Taylor
(2) files
(3) Boode

CONFIDENTIAL

TELEGRAM RECEIVED

FROM: SECSTATE WASHINGTON

050300Z
Date: December 4, 1953

No: USFOTO 153

CODE: CONFIDENTIAL

Received: December 5, 1953
4:30 PM

TOUSFO 213.

Following is Joint State-FOA message:

1. No objection your amendment proposed paragraph 1 and first sentence paragraph 2 reference telegram.

2. Suggested deletion latter portion paragraph 3 bilateral unacceptable since purpose language not primarily related to question of convertibility, but rather to principle that recipient countries should pay at least local costs in line with basic cong policy that aid recipients undertake self-help measures to supplement US aid (Section 511 (C), MS act). Recognize that, where recipient's currency may be freely utilized for dollar expenditures, may be preferable refer to "local costs" and "local requirements" rather than to "local currency costs" and "local currency requirements"; accordingly, would concur deletion word "currency" in paragraph 3 bilateral.

3. If FOA special economic aid program proposed for Saudi Arabia for FY 1954 includes only expenditures for salaries and transportation costs of technical experts or project equipment made available for non-commercial enterprises, would have no objection deletion portion of paragraph 2 Annex after first sentence. However, for your information if future programs should ever include any commodities or services from which Government Saudi Arabia might derive sales proceeds or customs receipts, this provision would have to be re-inserted. (Text we have proposed is standard formula for new FOA assistance bilaterals with Near Eastern countries receiving substantial economic and technical assistance. Fact that recipient country has free convertibility own currency does not make counterpart-deposit or other similar local currency fund technique inappropriate. E.g., US government has in past obtained similar bilaterals provisos from other countries enjoying free convertibility, e.g., Thailand, Indonesia in 1950; Portugal; Germany, African DOTS of European countries).

STASSEN

ga

Distribution:

CONFIDENTIAL

1-FOA - Action 1-Jones 1-Nelson 1-File

SECURITY INFORMATION

Econ Af

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

CONFIDENTIAL
Security Information
Classification

CHARGE:

Control: TOUSFO 213

FOR/N

DATE: November 24, 1953

Text - Proposed exchange of notes

Joint Embassy - USAOM Message.

USFOTO 143. Following comments offered:

1. In paragraph number one suggest add "and Saudi Arabian" before word "legislation" as Saudis will wish their own regulations as well as those of US be taken into account in aid programs.

2. In paragraph number three suggest that "and currencies" be inserted after words "and amounts". Also suggest delete portion paragraph three beginning "from time to time" and ending "furnishing of assistance". There will not be currency problem Saudi aid program since Saudi riyal freely convertible dollars and other currencies.

3. Suggest deletion paragraph number two of annex as appears unnecessary in view free convertability Saudi riyal.

Would appreciate Department's full explanations, comments and clarifications on this draft agreement along base lines as those transmitted Department's telegram 685, June 19, 1953 with respect draft Military Grant Aid Agreement.

CORSON

HJCorson/JJJones/wbg

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

Econ Aid
action to
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SECURITY INFORMATION

**TELEGRAM RECEIVED**

FROM: SECSTATE WASHINGTON

Date: 2110412
November 20, 1953
USFOTO 143

No:

CODE: CONFIDENTIAL

Received: November 21, 1953
6:00 PM

Sent Cairo USFOTO 233 Jidda USFOTO 143 Amman USFOTO 228 from Department

Following is Joint State-FOA message.

Following is text proposed exchange notes regarding fiscal year 1954 economic and technical aid program for Egypt, and intended as model for other addressees. Separate cables will follow providing negotiation instructions at appropriate time for each mission. Neither text nor substance should be discussed with governments to which accredited pending receipt specific instructions. Addressees requested cable any comments.

Excellency:

I have honor refer recent conversations between representatives our two governments concerning assistance by my government, designed promote economic development of Egypt. My government is prepared, in accordance following understandings, both to continue furnishing assistance Egypt provided for by Point IV General Agreement for technical cooperation between our two governments and to provide additional special economic assistance for this purpose.

1. Furnishing of any economic or technical assistance by government United States to Government Egypt under this agreement will be based on requests to be made by Government Egypt and approved by Government United States, and will be subject to terms and conditions prescribed by United States legislation.

2. In order provide maximum benefits to people Egypt from such assistance, our two governments will cooperate to assure that such commodities or services as may be furnished under this agreement will be procured at reasonable prices and on reasonable terms, and will be distributed and utilized in Egypt in furtherance of purposes this agreement and on terms and conditions acceptable both governments.

3. It is understood that Government Egypt will contribute to this program in such manner and amounts as may be agreed between two governments from time to time Egyptian pounds necessary defray

CONFIDENTIAL

local currency costs agreed projects, including local currency requirements for expenditures incident to furnishing of assistance.

4. Government Egypt will furnish to Government United States such information and data as may be requested in order facilitate consideration of assistance proposals made by Government Egypt and evacuation of effectiveness of assistance furnished, and shall give publicity these programs of assistance as provided in Article VI of Point IV General Agreement for technical cooperation.

I have honor propose, if these understandings are acceptable your government, that this note, including attached annex, and your Excellency's note in reply constitute an agreement between our two governments enter into force (on receipt your Excellency's reply) (on receipt of notification of ratification by Government Egypt) and remain in force until three months after receipt by either government of written notifications by the other of intention terminate agreement.

Accept, Excellency, renewed assurances my highest consideration.

1. Responsibilities of Government United States in Egypt in connection with this program will be carried out by designated representatives (including contract personnel engaged in activities under this agreement) who will be accorded privileges and immunities specified in Article V of Point IV General Agreement for technical cooperation between two governments of May 5, 1951. Government Egypt will further give full cooperation to such representatives, including provision of facilities necessary for observation and survey of carrying out this agreement including use of assistance furnished under it.

2. Government Egypt will establish in Bank of Egypt L special account (hereinafter called "special account") in name of Government Egypt. Government Egypt will pursuant paragraph 3 this agreement provide from time to time the Egyptian pound necessary defray local currency costs projects agreed to by both governments. As one means of implementing this undertaking, Government Egypt will deposit to special account, upon receipt such currency, local currency accruing to it from sale commodities or services supplied on grant basis under this agreement or otherwise accruing to it as result of import from such commodities or services. Such account shall be drawn upon where local currency requirements of United States Government for administrative and operating expenditures are incident furnishing of assistance under this agreement. Government United States will from time to time notify Government Egypt such local currency requirements and Government Egypt will

hereupon make such sums available from special account in manner requested by Government United States on notification.

Any remaining balance in special account may be drawn upon by Government Egypt for such purposes beneficial Egypt pursuant objectives this agreement as may be agreed from time to time by two governments.

3. Government Egypt will so deposit, segregate, or assure title all funds allocated to or derived from any program involving use of contributions by government United States such funds shall not be subject garnishment, attachment, seizure, or other legal process by any firm, agency, corporation, organization, or government when Government Egypt is advised by Government United States such legal process would interfere with attainment of objectives of program.

4. It is understood this agreement is complementary to and does hod supersede any existing agreements between our two governments.

STASSEN

ga

Distribution:
1-FOA - Action
1-Jones
1-Nelson
1-File

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

File 1
2
Chron III

UNCLASSIFIED
Classification

PRITY
Control: TOUSFO #167

CHARGE:

TO: FOA/W

DATE: October 24, 1953

Nosec.

AmEmbassy has not received instructions re exchange supplemental diplomatic notes referred paragraph d, page 3, TCA Manual September 1, 1953. Expedite.

CORSON

HJCorson:o

UNCLASSIFIED
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

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Extra Copies

Info Copy: (1) Taylor (2) (2) File

SECSTATE

JANUARY 4/2023Z/1954

USFOTO 188

CONFIDENTIAL

JANUARY 5/0633Z

TOKYO 233.

Authorization being forwarded as soon as reconsideration requested Embtel 289 reconciles.

STASSEN

lms

DIST:

Ambassador
FOA- Action — Corson
File

CONFIDENTIAL

# TELEGRAM

**Foreign Service of the United States of America**

**INCOMING**

Program

CONFIDENTIAL
Classification

Control: USFOTO 259
Recd: February 13 11:02

FROM: SECSTATE

Date: February 12/1300Z/1954

Reference: TOUSFO 284.

FOA/W and State agreed in December maximum economic aid Saudi Arabia this year $3,350,000. This determination based appraisal needs other countries area within 147 million limitation available entire Near East. In view, emergencies occuring other countries since that time there currently appears to be no possibility of additional funds this year's appropriation. You may, however, substitute civil Aviation Project for other approved projects provided you do not exceed present allocation funds.

Appointment FOA Civil Aviation Consultant expected to be completed within seven days. This consultant expected fully review Civil Aviation Project Saudi Arabia relation Regional perspective.

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DIST:
Ambassador
Jones
FOA - Action
McCullars
File

Action to: Corson

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 243307

70A

file

SECSTATE November 19, 1953

239

CONFIDENTIAL - Security
Information

Joint Embassy and USAOM message.

Regarding your 137, Embassy and Mission strongly urge most serious consideration be given inclusion Civil Aviation Project in Economic Aid Authorization. Civil Aviation development is one where impact could be felt soonest due to vital role air transportation in Saudi economy. Also believe combination airfield development and improvement in navigation and communications facilities will assist our own defense requirements.

Difficult comment constructively proposed Agreement prior receipt full text. Concur in proposal exchange short simple notes as complementary agreement to existing agreements. While negotiations will be pushed to include understanding regarding control local currency and rate of exchange such negotiations will possibly prove difficult and time consuming. Consider exchange annex unnecessary if we are successful in negotiating cooperative service program agreements with SAG contribution stipulated in US dollars. Otherwise, recommend exchange provisions.

We feel that exchange diplomatic notes prescribed TCA Manual Sept. 1, 1953 should precede opening negotiations Special Economic Aid Agreements thus establishing pattern for cooperative service type program agreements. Furthermore, in order obtain greatest possible impact, plan present simultaneously to SAG Special Economic Aid and Technical Assistance programs. Although complementary nature of two programs would be emphasized, negotiations to be separate.

JONES

HJCorson/JJJones/wbg

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

CONFIDENTIAL

CHARGE: Classification Control:

TO: SECSTATE

DATE: Dec. 29, 1953

# 289

Joint Embassy-USAOM message. Re last paragraph Deptel 189, in view Istanbul discussions re question SAG contributions Technical Assistance and Special Economic Aid recommend proposed note be drafted in such manner as in no way to imply to SAG that host government contributions are to be limited only to local costs. Suggest therefore reconsideration be given recommendations contained paragraphs 2 and 3 TOUSFO 213.

JONES

JJJones/HJCorson/djh

CONFIDENTIAL

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

Econ Aid

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TO: FOA/W

TOUSFO 213

November 24, 1953

Joint Embassy - USAOM Message.

USFOTO 143. Following comments offered:

1. In paragraph number one suggest add "and Saudi Arabian" before word legislation as Saudis will wish their own regulations as well as those of US be taken into account in aid programs.

2. In paragraph number three suggest that "and currencies" be inserted after words "and amounts". Also suggest delete portion sentence paragraph three beginning "from time to time" and ending "furnishing of assistance". There will not be currency problem Saudi aid program since Saudi riyal freely convertible dollars and other currencies.

3. Suggest deletion paragraph number two of annex as appears unnecessary in view free convertability Saudi riyal.

Would appreciate Department's full explanations, comments and clarifications on this draft agreement along same lines as those transmitted Department's telegram 685 June 19, 1953 with respect draft Military Grant Aid Agreement.

CORSON

# TELEGRAM

**Foreign Service of the United States of America**

**OUTGOING**

CONFIDENTIAL
Classification

CHARGE:

Control: TOUSFO #290

TO: FOA/N

DATE: February 2, 1954

For Norman Paul.

USFOTO 215, January 21. After discussing with Ambassador Wadsworth various aspects diplomatic note transmitted USFOTO 215, January 15, he asked me urge you pay us flying visit from Beirut, being his guest while here, to go carefully with him into basic problems of recent development which afford strong reasons justifying feeling that Saudis will refuse sign proposed agreement for "Economic Aid and Technical Assistance" but instead will prefer continue proceed under existing 1951 "Technical Assistance" agreement.

Actually, envisaged economic aid projects for Saudi Arabia are no different from current technical assistance projects.

I concur with Ambassador that this is not propitious time to propose such new agreement.

Sincerely hope you can accept Ambassador's invitation.

CORSON

HJCorson:c

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

WSAOM/SA

# DEPARTMENT OF STATE INSTRUCTION

CONFIDENTIAL

1783

NO.: CA-5040 March 15, 1954

SUBJECT: Status of Special Economic Aid Agreement Negotiations in NE Countries.

SEND TO: American Embassy, Jidda.

Repeat information of:

TO: Amman, Baghdad, Beirut, Cairo, Damascus, London, Paris and Tel Aviv

This is a joint State-FOA message.

The current status of Section 206 special economic aid agreement negotiations in the Near Eastern countries is given below in order to correct any misimpression that may have been conveyed by the first sentence of paragraph No. 3 of USFOTO 275 to Jidda:

| Country | Negotiation Authorized | Draft handed Government | Agreement Signed |
|---|---|---|---|
| Egypt | - | - | - |
| Iraq | None contemplated | - | - |
| Jordan | 2/18/54 Deptel 343 | - | - |
| Lebanon | 2/18/54 Deptel 946 | - | - |
| Saudi Arabia | 1/15/54 Deptel 306 | 2/24/54 TOUSFO 338 | - |
| Syria | 1/26/54 Deptel 305 | 2/6/54 Embtel 334 | - |
| Yemen | None contemplated | - | - |
| Israel | 11/5/53 Deptel 358 | 11/17-20/53 | 11/25/53 |

DULLES

CONFIDENTIAL

# TELEGRAM

**Foreign Service of the United States of America**

**INCOMING**

~~CONFIDENTIAL~~
Classification

Control: USOM 7
Recd: Feb 12/1117Z

FROM: Cairo

Date: February 111336Z, 1954

Sent Department TOUSFO 333 Amman USOM 26 Damascus USOM 2 Beirut USOM 49 rptd info Jidda USOM 7

From Paul

1. Have completed two day session with Representatives Embassy Cairo and Damascus USOM Egypt, Jordan, Lebanon, Gardiner of State and Elmore, Regional FOA Legal Counsel re economic aid Arab States with particular reference FY 55 Congressional presentation. Missions will proceed at once with preparation materials along lines set forth below against deadline of submission in Washington on February 28.

2. Analysis for each country of a basic political and economic considerations which justify economic aid. Re economic considerations, Missions will prepare analysis country developmental needs. Within context overall politico-economic justification, projects will be described in some detail, showing relationship overall country development plans and needs. For each project will indicate (1) amount US financing required, broken down into local and foreign exchange costs. (2) amount host country contribution, and (3) extent and nature of other contributions.

3. Economic analysis will include statement of present internal and external financial situation of country based on most recent data with estimate of anticipated direction of change in each during coming year as relevant to explanation of why financing of projects beyond capabilities Government and hence justified for US assistance. Suggest you concert with State to assemble similar relevant information in form suitable for uniform Congressional presentation.

4. Projects in Syria, Jordan and Lebanon will not be inconsistent with plans for unified development of Jordan Valley.

5. To extent possible, account will be taken of other country plans and needs region as whole - e.g., road projects will take into account plans adjacent countries and port development will take into account possibility similar development elsewhere which could more effectively serve regional needs. Missions all support suggestion of program of aid to Civil Aviation as proposed fall 1953 by State and CAA. Presentation to be left to Washington where data is already available.

Jefferson Hazeltine

6. Missions

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242307

CONFIDENTIAL
Classification

Control: USOM 7
Recd: Page 2

6. Missions will cable brief summary of types of projects for which detailed justification being prepared.

7. Missions are addressing themselves to analysis of problems involved in exchange of aid funds or local currency with special emphasis upon extent to which aid can be provided through exchange of commodities for local currencies.

8. Re Section 550, possibilities wheat in Egypt depend largely on decision as to whether displacement USSR as source fits within law. This matter raised with Washington some time ago and answer awaited. USOM/L outlining in separate telegram additional proposal for transfer wheat stocks. re other countries, no definite indication as to degree to which surplus commodities a possibility, though under present Legislative criteria, volume would probably be slight. Assume further guidance will come from Washington as to possible new techniques disposal surplus commodities which would remove present barriers to wider use such commodities.

9. Have agreed on following ranges of FY Assistance against which projects will be submitted, (In millions dollars) Egypt 20-25; Jordan 10-15; Lebanon 10-15 (assuming some assistance Litani); Syria 10-20. Assumption for 54 obligation roughly 25 Egypt, 6 Lebanon, 6 Jordan and 6 Syria. Projects for 55 will be identified in "a" or "B" priority. Total of "A" priority projects to approximate lower range total.

10. Assume that separate FY 55 programming instructions will be sent to Saudi Arabia, which not represented this conference.

lms STEVENS

DIST:
Ambassador
FOA - Action ✓
McCullars
File

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

OFFICIAL - INFORMAL
CONFIDENTIAL

March 9, 1954

Dear Paul:

I refer to the communications exchanged with you relative to the execution of a special economic aid agreement with the Saudi Arabian Government. From such communications you have noted the reasoning behind Ambassador Wadsworth's contentions to the effect that now is not the time to present through diplomatic channels another aid program agreement.

In order to overcome this situation, the thought occurred to me that USAOM could present the terms which were to have been embodied in the diplomatic note, in a simple agreement for presentation to the Minister of Finance on the grounds that he originally signed the Technical Assistance Agreement; also on the grounds that he informed me at the time I told him that economic aid funds had been approved, that he would sign the economic aid agreement. I discussed this with Ambassador Wadsworth and he was quite in accord. Consequently, I prepared a draft of agreement, which the Ambassador approved, as per copy attached, and presented it to the Minister of Finance with the request that he study it and let me have his comments. Several days later he sent word to me that he had no comments to make, and that he would present it to the present meeting of the Council of Ministers for its approval.

I discussed this matter with Norman Paul in Beirut and he, too, was in accord with the above method of handling the FY-54 special economic aid agreement matter.

As soon as the Minister of Finance returns to Jidda after the above-mentioned meeting, I will contact him to discuss the execution of this agreement.

Sincerely yours,

Harland J. Corson, Director
USA Operations Mission to Saudi Arabia

Encl. -
Draft of agreement,
as above

Mr. Paul F. Taggart,
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division,
Near East, South Asia and Africa Operations,
Foreign Operations Administration,
Washington 25, D. C.

HJCorson:c

Econ Aid Folder

Attached hereto:

Tousfo 284

~~Joint 239~~ Joint 239

Joint 137

Tousfo 195

VSFOTO 259

Civil Aviation Project

under Econ Aid

# TELEGRAM

Foreign Service of the United States of America

INCOMING

Action: Olson

CONFIDENTIAL
Classification

Control: USFOTO 259
Recd: February 131110Z

FROM: SECSTATE

Date: February 12/130043Z/1954

Reference: TOUSFO 284.

FOA/W and State agreed in December maximum economic aid Saudi Arabia this year $3,350,000. This determination based appraisal needs other countries area within 147 million limitation available entire Near East. In view, emergencies occuring other countries since that time there currently appears to be no possibility of additional funds this year's appropriation. You may, however, substitute civil Aviation Project for other approved projects provided you do not exceed present allocation funds.

Appointment FOA Civil Aviation Consultant expected to be completed within seven days. This consultant expected fully review Civil Aviation Project Saudi Arabia relation Regional perspective.

RAND

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DIST:
Ambassador
Jones
FOA - Action
McCullars
File

Info cy to: Hazleton
Boyle

CONFIDENTIAL
Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1953 - 242207

# TELEGRAM

Foreign Service of the United States of America

**OUTGOING**

CONFIDENTIAL

CHARGE: Classification Control: TOUSFO-284

DATE: Jan. 30, 1954

TO: FOA/W

For Taggart.

Regarding joint Embassy-USAOM Cable 239, November 19, first paragraph. Advised status civil aviation project under economic aid.

CORSON

HJCorson/pa

CONFIDENTIAL

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

Econ Aid
70A

SECSTATE November 19, 1953

239

CONFIDENTIAL - Security
Information

Joint Embassy and USAOM message.

Regarding your 137, Embassy and Mission strongly urge most serious consideration be given inclusion Civil Aviation Project in Economic Aid Authorization. Civil Aviation development is one where impact could be felt soonest due to vital role air transportation in Saudi economy. Also believe combination airfield development and improvement in navigation and communications facilities will assist our own defense requirements.

Difficult comment constructively proposed Agreement prior receipt full text. Concur in proposal exchange short simple notes as complementary agreement to existing agreements. While negotiations will be pused to include understanding regarding control local currency and rate of exchange such negotiations will possibly prove difficult and time consuming. Consider exchange annex unnecessary if we are successful in negotiating cooperative service program agreements with SAG contribution stipulated in US dollars. Otherwise, recommend exchange provisions.

We feel that exchange diplomatic notes prescribed TCA Manual Sept. 1, 1953 should precede opening negotiations Special Economic Aid Agreements thus establishing pattern for cooperative service type program agreements. Furthermore, in order obtain greatest possible impact, plan present simultaneously to SAG Special Economic Aid and Technical Assistance programs. Although complementary nature of two programs would be emphasized, negotiations to be separate.

JONES

HJCorson/JJJones/wbg

Econ Aid

SECURITY INFORMATION

# TELEGRAM RECEIVED

FROM: SECSTATE WASHINGTON

Date: 091658Z November 9, 1953

No: 137

CODE: CONFIDENTIAL

Received: November 10, 1953 2:15 PM

Joint State FOA message.

Regarding Embassy's 165 and TOUSFO 195.

Funds now authorized for program proposed in Embassy's 107 as formalized here by Taylor in amount not to exceed $3,350,000. Only modification since Taylor's departure is recent decision hold civil aviation project in abayance pending further consideration here on which FOA letter follows.

While Department hopes you will carry on informal technical discussion in details these projects and on funds which SAG might contribute to them, it needs Embassy USOM views on special aid agreement draft now in final stage here before authorizing you proceed nototiate. Agreement would be first of kind for Arab countries and of type which expected both proposed Egypt and others. It would be simple exchange of notes making clear that any United States assistance to be based on requests by SAG and expressing willingness both governments cooperate in carrying out agreement and to assure efficient operating looking toward maximum fulfillment special economic aid objectives in pro motion economic development. Agreement would also cover understanding regarding composition and control of local currency and rate of exchange; importance of providing information necessary for successful development of program; public information; acfvomulnistration. It would be made clear that agreement is complementary to existing agreements and there would be reference to its coming into effect and its possible termination. If provisions concerning local currency were made an annex the main agreement would be not much over five hundred words.

Among reasons why Department inclined favor special aid agreement is that it would obviate necessity for repeating general provisions in each of project agreements.

Hope able authorize negotiations and transmit text next week.

DULLES

ga

Distribution:

1-FOA - Action
1-Jones - Action
1-Nelson
1-File

SECURITY INFORMATION

CONFIDENTIAL

# TELEGRAM Foreign Service of the United States of America

**OUTGOING**

CONFIDENTIAL
Classification

CHARGE:

Control: TOUFO 195

DATE: November 4, 1953.

FOA/M

I FEEL OBLIGATED TO INFORM YOU THAT I AM RECEIVING REPORTS TO THE EFFECT THAT THE ARRIVAL OF A NEW DIRECTOR WITHOUT AUTHORITY TO PROCEED WITH ANY TECHNICAL COOPERATION OR SPECIAL ECONOMIC AID PROGRAMS OR PROJECTS; ALSO THAT A MONTH LATER HE STILL DOES NOT HAVE SUCH AUTHORITY ALSO THAT HE CANNOT STATE WHEN SUCH AUTHORITY WILL BE FORTHCOMING IS DEFINITELY DAMAGING OUR RELATIONS WITH HOST GOVERNMENT. FURTHERMORE, THE ACTING DEPUTY MINISTER OF FINANCE NOW CONTROLLING SAG EXPENDITURES REPEATEDLY INQUIRES ABOUT OUR FY 54 BUDGET APPROVAL AS HE IS NOW PREPARING THE SAG FY54 BUDGET IN WHICH HE MUST INCLUDE THE VARIOUS MINISTRY'S CONTRIBUTIONS TO USA-SAG PROGRAMS WHICH HE MUST KNOW SOONEST IN ORDER PREPARE HIS BUDGET PROPERLY FOR INCLUSION THEIR CONTRIBUTIONS JOINT PROGRAMS. IT IS IMPERATIVE THAT EARLIEST ACTION ON APPROVAL OUR FY54 BUDGET BE TAKEN; THAT EMBASSY BE INSTRUCTED EXCHANGE DIPLOMATIC NOTES SETTING UP COOPERATIVE SE VICE FORM OF AGREEMENTS; THAT SINGLE ALL COMPREHENSIVE AGREEMENT FORM PREVIOUSLY REQUESTED AND ECONOMIC AID AGREEMENT FORM BE SENT TO US SOONEST.

CORSON.

ILJCorson-s

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

(2)

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

February 11, 1954

PERSONAL

Dear Paul:

I refer to the last paragraph of USFOTO 242 of February 9 -- joint FOA-State message re Economic Aid Agreement.

Ambassador Wadsworth has suggested that you review his Embassy Despatches Nos. 265 and 266 - Subject: Military Aid - as these will serve to answer the query mentioned in the last paragraph of the above-mentioned cable.

As I informed you by cable today, I will meet Norman Paul in Beirut between the 21st and 23d of this month to discuss in detail with him the Ambassador's, as well as my own, views in this connection.

Sincerely yours,

Harland J. Corson, Director
USA Operations Mission to Saudi Arabia

Mr. Paul F. Taggart,
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division,
Near East, South Asia and Africa Operations,
Foreign Operations Administration,
Washington 25, D. C.

HJCorson:o

(2)

USA OPERATIONS MISSION TO SAUDI ARABIA
American Embassy - Jidda

February 10, 1954

OFFICIAL - INFORMAL
UNCLASSIFIED

Dear Paul:

I refer to your letter dated January 28 relative to special economic aid programs. As you know, project authorizations under special economic aid comprise the following:

1. Water development
2. Abha-Taif Road
3. Abha Dam
4. Improvement of Port of Gizan

I have informed you in another letter going forward by this same mail that with the aid of Robert H. Smith, Vice President of Aero Service Corp., and Charles E. Buck, Vice President of International Engineering Company, both of whom are presently in Jidda, we have assembled practically all of the basic data, information, cost estimates, etc. for the above-mentioned projects as they are now envisaged. I also informed you in the same letter that as soon as Dr. Glen Brown and Mr. Ed Sinclair return from their present railway survey trip, the first draft of each of the above project agreements will be prepared and presented to the respective Ministers for discussion.

The Water Development Program will involve five major stages; that is - 1) aerial photography, 2) compilation of maps and mosaics, 3) ground geology, 4) exploratory drilling, and 5) productive drilling. Stages 1 and 2 will definitely be carried out under contract. Stage 3 may be carried out either by a group of individually contracted geologists working under the direction of Dr. Brown, or under a contract with USGS (we prefer the latter if a mutually acceptable contract can be negotiated). Stage 4 should be contracted, although the Minister of Agriculture has not definitely decided in this connection. Stage 5 will be contracted as agreed upon by the Minister of Agriculture. (Either the same contractor can be used for Stages 4 and 5 or separate contractors can be used. We prefer the former and hope to be able to convince the Minister accordingly.)

The type

Mr. Paul Taggart,
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division,
Near East, South Asia and Africa Operations,
Foreign Operations Administration,
Washington 25, D. C.

The type of agreement that we will propose to the Minister of Agriculture will be that of Cooperative Service, with one administrator appointed by this Mission handling all exploratory phases of the program; that is, stages 1 through 4, and the other administrator appointed by the Minister of Agriculture handling stage 5, since we do not want to become involved in land tenure, water rights, operation of four drilling compounds, and phases of activity relating to productive drilling.

We cabled you recently inquiring as to the status of the FOA/USGS contract and from your reply we gather that little or no progress has been made in this connection during the past few months. If FOA/W and USGS would like Dr. Brown and myself to try to work out a proposed agreement based on conditions as we see them here, please let me know and we will give it a try. At any rate, we hope that an FOA/USGS contract will be executed soon which will be mutually satisfactory.

At the Istanbul Conference I mentioned to Norman Paul and the others with him that in my opinion the million dollars under project authorization for the Abha-Taif Road could best be used for "road planning and surveys." By this I mean that we would do engineering on roads of greatest interest to the Ministry of Communications, furnish that Ministry with equipment for a road materials testing laboratory, and for covering the cost of a survey for rehabilitation of the Medina-Ma'an Railroad. The Minister of Communications is in accord with these ideas and as soon as we know exactly on what roads he wants engineering work done, we will prepare a revised project authorization and forward same to you to replace the one you now have. All the engineering work above referred to, as well as the railway survey, will be done under contract and the equipment for the road materials testing laboratory will be purchased in the United States. We do not know at this time of what the amount of the host government contributions will consist, nor the purposes for which it will be spent. Negotiations with the Minister on this project will reveal this information.

The construction of the irrigation dam at Abha will be done under contract, towards the cost of which we will contribute up to $250,000. The Minister of Agriculture has indicated that he might want to have another irrigation dam constructed at Akrima (near Taif) and if he decides favorably in this connection, he would like our contribution above cited to be divided between the two works.

The improvement to the Port of Gizan will also be done under contract, with the U.S. contribution of $100,000 being made towards the cost of such work.

Of course, I have discussed a number of times with Ambassador Wadsworth these economic aid projects but a recent development here has led the Ambassador to feel that the time is not now ripe to present an economic aid agreement to the Saudi Government for approval. I wired Norman Paul under date of February 2d (see our TOUSFO 290) to this effect, and transmitted to him the Ambassador's wish that Paul pay him a flying visit from

Beirut

Beirut so that the Ambassador could discuss with him the recent developments and his reasons as to why he feels the Saudis may refuse to sign at this time an economic aid agreement, but instead would prefer to have economic aid projects carried out under the Technical Assistance Agreement.

We have just received FOA/W's reply to TOUSFO 290 (USFOTO 242) stating in substance that it will not be possible for Paul to accept Ambassador Wadsworth's invitation to come to Jidda but will be glad to meet with a USAOM/Embassy representative at Beirut to discuss this matter. To give you some idea as to the nature of the "recent development" on which Ambassador Wadsworth bases his contentions, I might suggest that the status of military aid to Saudi Arabia be discussed with Mr. Fritzlan of the Near Eastern Division of the State Department. In all probability, the Ambassador will want me to meet with Paul in Beirut about the 21st or 22nd of this month to discuss this matter with him. After discussing with Ambassador Wadsworth your USFOTO 242 which just arrived, I will cable you the USAOM/Embassy decision with respect to a meeting with Mr. Paul at Beirut.

As mentioned before, we are going ahead with preparation of a draft of agreement corresponding to each project under economic aid and immediately a decision has been reached as to how such projects should be set up in relation to the Saudi Arabian Government; that is, under what type or form of agreement they should come, we will present such drafts and start negotiations, at the conclusion of which full details will be furnished you so that the contracts covering work to be done under contract as mentioned above may be negotiated. In all probability, projects 2, 3 and 4 listed at the beginning of this letter will be carried out under a simple agreement, rather than a Cooperative Service type of agreement.

I hope that I have given you herein the information which you require regarding the economic aid projects for Saudi Arabia.

Sincerely yours,

HJC

Harland J. Corson, Director
USA Operations Mission to Saudi Arabia

HJCorson:o

Econ Aid

USA OPERATIONS MISSION TO SAUDI ARABIA
Jidda

January 4, 1954

My dear Mr. Ambassador:

In order that you may have some idea as to the extent of our present operations in Saudi Arabia, the following information will be helpful to you.

1. The activities of USAOM for the FY-54 period comprise technical assistance programs and economic aid projects. U.S. funds for the above programs total $1,462,000, and for the above projects $3,350,000. Although SAG contributions have not been agreed upon as yet, it is expected that they will be from two to three times greater than U.S. contributions.

2. Technical assistance programs comprise the following fields of activity:

| | |
|---|---|
| Agriculture | Health and Sanitation |
| Natural Resources | Public Administration |
| Education | Transportation and Communications |

Economic aid projects comprise the following fields of activity:

Water development
Roads
Abha Irrigation Dam, and
Improvement of the Port of Gizan.

3. Our FY-54 budget was approved the latter part of November last, but the allocation of funds was not made until about the 10th of December last. We are now awaiting the final text from Washington of the diplomatic notes to be exchanged with SAG setting up the FY-54 technical assistance and economic aid programs/projects; also the agreement form to be used for the economic aid projects. After this exchange of diplomatic notes has been completed and the economic aid agreement has been executed, there will be another exchange of diplomatic notes - prescribed in the TCA Manual dated September 1, 1953 - establishing the cooperative service type of agreement. After this latter exchange of diplomatic notes has been completed, then we will immediately negotiate program agreements under technical assistance and project agreements under economic aid.

Ambassador George Wadsworth,
United States Embassy,
Jidda, Saudi Arabia

I will be glad to go into detail regarding any of our activities at any time with you.

Sincerely yours,

HJCarson:o

Econ Aid

USA OPERATIONS MISSION TO SAUDI ARABIA
Jidda

December 31, 1953

OFFICIAL - INFORMAL
UNCLASSIFIED

Dear Paul:

Several days ago Fred Zahid, Technical Advisor to the Minister of Transportation and Communications, called at this office on behalf of the Minister to ascertain whether or not USAOM would furnish technical assistance for the reopening of the Medina-Jordan Railroad which, as you may know, has been abandoned since World War I. Mr. Zahid informed us that the King is very much interested in reopening this railroad, but first wants to know what the cost would be to do so on the basis of the present narrow gauge and on the basis of European standard gauge. We informed Mr. Zahid that we would develop the matter with you, but that if such assistance were granted, its cost would probably be deducted from the amount set aside for roads under the FY-54 Economic Aid funds.

We feel that the above request should be granted provided the cost would not exceed an amount of about $75,000.

We shall appreciate your letting us have your views in this connection.

Sincerely yours,

Harland J. Corson
Director
USA Operations Mission to Saudi Arabia

Mr. Paul F. Taggart
Chief, Iraq, Saudi Arabia, Lebanon, Syria Division
Near East, South Asia and Africa Operations
Foreign Operations Administration
Washington 25, D. C.

HJCorson:o

Info: (1) [illegible] (2) [illegible] (3) [illegible]

TELEGRAM RECEIVED

290225Z

From: SECSTATE WASHINGTON

Date: December 28, 1953

file

No: USFOTO 177

Code: UNCLASSIFIED

Received: December 30, 1257Z

Special economic assistance bureau budget has approved apportionment $3,350,000 special economic assistance as follows:

| | |
|---|---|
| $1,000,000 | Second quarter |
| $2,000,000 | Third quarter |
| $ 350,000 | Fourth quarter |

Allotment $2,900,000 issued by FOA/W under allotment symbol E 401470 including $900,000 for second quarter and $2,000,000 for third quarter. Difference between $1,000,000 apportionment and $900,000 allotment for second quarter represents temporary borrowing for immediate needs elsewhere. $100,000 difference will be alloted as soon as available.

STASSEN

ga

Distribution:

1-FOA - Action (Corson)
1-McCullars
1-Jones
1-File

UNCLASSIFIED

# TELEGRAM

Foreign Service of the United States of America

**OUTGOING**

RESTRICTED

CHARGE: Classification Control: TOUSFO 220

DATE: December 6, 1953

FOA/W

RE. USFOTO 151. NO RECORD ANY PRELIMINARY SURVEYS MADE JIZAN HARBOR. ONLY REPORT KNOWN THIS OFFICE WAS ONE SUBMITTED TO MINISTERFINANCE BY FAO AND SUBSEQUENTLY INCORPORATED IN SPECIAL ECONOMIC AID JUSTIFICATION. COPY ATTACHED DUNAWAY LETTER TO TAGGERT REFERENCE SPECIAL ECONMIC AID.

CORSON

HJCorson/s

Classification

☆ U. S. GOVERNMENT PRINTING OFFICE: 1952 - 220210

SECURITY INFORMATION

TELEGRAM RECEIVED

FROM: SECSTATE WASHINGTON

Date: 050200Z December 4, 1953

No: USFOTO 154

CODE: CONFIDENTIAL

Received: December 5, 1953 2:45 PM

Sent Cairo USFOTO 246 repeated information Amman USFOTO 250 Beirut USFOTO 203 Damascus USFOTO 51 Jidda USFOTO 154 from Dept

TOUSFO 226

Following is Joint State-FOA message:

1. Your assumption correct regarding propriety use local currency sales proceeds under paragraph 2 Annex for local currency costs urgent projects with high impact level such as reads, subject specific concurrence of FOA in such use in each case. You also correct in assumption that, in event emergency, proposed agreement would fix and xrkclude direct conversion within appropriate limitations that would be set by mission with concurrence to FOA/W, but to extent necessary use aid for local currency generation, we would expect use commodity import technique maximum feasible and in sufficuently flexible manner as to avoid possibility such emergency arising.

2. While GOE not required make deposit, under Paragraph 2 Annex to special account equivalent foreign exchange spent for items imported for GOE account and for GOE ultimate use, it may be found desirable in long run, or in particular instance, request GOE to appropriate Egyptian pounds for such items and make deposits in special account. This would be one possible and perhaps relatively palatable technique of getting GOE to maximize local currency contribution to program under Paragraph 3. Other technique might involve getting GOE contribute specific amounts out of appropriations in connect on particular projects. Experience in most Far Eastern countries has indicated usefulness similar device as administrative technique, even though not specifically required by terms bilateral agreement.

3. Paragraph 2 Annex does not contain word "hope". Last portion that paragraph reads as follows: "such account shall be drawn upon where local currency requirements of US Government for administrative and operating expenditures are incident furnishing of assistance under this agreement. Government US will from time to time notify Government Egypt such local currency requirements and Government Egypt will thereupon make such sums available from special account in manner requested by Government US in notification".

Any remaining balance in special account may be drawn upon by

CONFIDENTIAL

Government Egypt for such purposes beneficial Egypt pursuant objectives this agreement as may be agreed from time to time by two governments.

4. Have no objection your deleting phrase "beneficial to Egypt" in last sentence paragraph 2 Annex.

STASSEN

ga

Distribution:

1-FOA - Action
1-Jones
1-Nelson
1-File

SECURITY INFORMATION

U.S. Operations Mission
to Saudi Arabia
Jidda

OFFICIAL-INFORMAL
UNCLASSIFIED

November 28, 1953

Dear Paul:

Thanks ever so much for your kind letter dated October 30th.

We all here are most interested in that our FY-54 and subsequent agreements be of the Cooperative Service type. Of course we don't know as yet SAG's reaction to this type of agreement which involves their actually putting up cash in advance for financing each program and/or project. We feel that they can be convinced as to the advisability of such an agreement and we will do our best towards that end. So, we urge that everything possible be done there to allow us to try to set up Cooperative Service Agreements. They would answer many of our problems, principally getting money out of SAG and getting them involved to a much greater extent in carrying out the program and projects agreed upon.

As you know, we have received the draft of diplomatic note to be exchanged with SAG (your USFOTO 143), on which we have offered our comments and suggestions (TOUSFO 213). We are awaiting now the final draft of the note to be presented to SAG, thereby setting up the 1954 technical and economic aid program. We hope that by the time this final draft is received, we will have received the allocation of '54 funds and that the Embassy will have been instructed to proceed with the exchange of diplomatic notes prescribed in FOA Manual dated September 1, 1953, thereby setting up the Cooperative Service form of agreement for the respective programs.

In the meantime, each of our Division Chiefs is discussing the details and costs of each project under our FY-54 budget in order that the total amount and the respective SAG-US contributions may be ascertained and such figures used for the program agreement. These program agreements, we are informed, are to be submitted by the respective Minister to the newly formed Cabinet of Ministers (over which Crown Prince Feisal presides) for approval. As each such agreement is accepted by the Cabinet, the respective Minister is thereby authorized to sign it. This being done, project agreements under such program agreement then need only the approval and signature of the Minister.

Best

Mr. Paul F. Taggart,
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division
Near East, South Asia and African Operations
Foreign Operations Administration
Washington 25, D. C.

Past experience in dealing with SAG on money matters has clearly proven that every effort must be made to get them to put up in advance the entire amount corresponding to each program and/or project agreement. If this is done, it follows that SAG will logically expect us to do likewise. Therefore, we urge that arrangements be made at your end:

1. For the total amount (not by quarters) of program funds, excepting U.S. Technicians' costs, being made available to this Mission for each program embodied in our FY-54 budget.

2. For authorization being given to this Mission to withdraw from the Treasury and deposit in cash in an acceptable commercial banking institution the total amount of program funds (mentioned in paragraph 1 above) at the time FOA/W approves each program and/or project agreement. Such funds naturally will not be so deposited except simultaneously with SAG's deposit corresponding to their agreed upon contribution.

NOTE: Local commercial banking institutions here are the following:

Netherlands Trading Society
Banque de l'Indo-Chine
British Bank of the Middle East
Arab Bank, Ltd.
Gellatly Hankey & Co. (Saudi Arabia) Ltd.

We sincerely trust that FOA/W will concur with the recommendations given above.

Sincerely yours,

HJC

Harland J. Corson
Director
U.S. Operations Mission
to Saudi Arabia

HJCorson:o

# FOREIGN OPERATIONS ADMINISTRATION
## Washington 25, D.C.

October 30, 1953

OFFICIAL - INFORMAL

Mr. Harland J. Corson
Director, United States of America
Operations Mission to Saudi Arabia
c/o American Embassy
Jidda, Saudi Arabia

Attention: Mr. Taylor

ans 11/25
HC

Dear Harland:

I am sorry we have not given you more information as to the status of the grant aid agreements for Saudi. As indicated in a recent letter this project got bogged down due to two things, (a) the battle going on as to whether the program agreements should or should not be the obligating documents, and (b) the reorganization of the General Counsel's Office. I have gotten the whole thing sorted out as far as the Legal Division is concerned. Once the fund authorization is approved, there will be a cable coming out authorizing negotiations and that program, project agreements are to be prepared in conformity with instructions contained in TCA Manual, Vol. 1, Section 321, dated September 1, 1953. It is hoped that these instructions are available in your office. In case they are not, we are sending you a set under separate cover. I may be optimistic about the above instructions since they specifically provide that agreements can be obligating documents. As I say, however, I am past the legal people but still have to get the following clearances: State, Gardner; Controller, Murphy; Operations, FitzGerald. It is obviously impossible to enter into negotiations until such time as the money is allocated. This operation has been standing still since Taylor left. I think now, however, I have gotten it on the tracks, and assuming that no snags are hit, should get reasonably early results.

When authorized to negotiate the program and project agreements, feel perfectly free to use the obligating feature if the program can be most effectively prosecuted with this device. You, of course, in this will need to leave sufficient lee-way that, if the final decision is made that they cannot be obligating documents, you have room to maneuver. If the agreements do contain the obligating feature, please provide sufficient and adequate justification in their transmittal. I will attempt to carry the ball in getting them approved. You will note in the TCA instructions that obligating documents must have prior approval from Washington before they can be executed. You may rest assured that I am leaving no stone unturned in the expediting of this program.

Sincerely yours,

Paul

Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division

O/NEA:PFTaggart:veb

# FOREIGN OPERATIONS ADMINISTRATION
## Washington 25, D.C.

November 12, 1953

Mr. Harland J. Corson
Director, United States of America
Operations Mission to Saudi Arabia
c/o American Embassy
Jidda, Saudi Arabia

Dear Harland:

I am trnsmitting herewith five copies of the Authorization for Special Economic Aid to Saudi Arabia signed by Mr. Stassen on November 5.

You will be informed as soon as the Bureau of the Budget has made the money available.

Just received these copies and will try to get them in the air pouch leaving today.

Sincerely yours,

Paul F. Taggart

Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division
Near East, South Asia and Africa Operations

Enclosures:
Copies of Authorization as noted.

Agreement ?

O/NEA:ERPierce:VEB

AUTHORIZED PROGRAM
SPECIAL ECONOMIC AID

SAUDI ARABIA

~~Authorization No.~~

Amount: $3,350,000

Fiscal Year 1954

LIST OF PROJECTS

| Project | U.S. Contribution |
|---|---|
| No. 1 Water Development Program | $2,000,000 |
| No. 2 Harbor Development-Jizan Harbor | 100,000 |
| No. 3 Abha Dam Project | 250,000 |
| No. 4 Abha-Taif Road Project | 1,000,000 |
| TOTAL | $3,350,000 |

(A detailed description of each project listed above is attached)

Distribution by Quarterly Periods:

| | |
|---|---|
| First Quarter ) | |
| ) | $1,000,000 |
| Second Quarter) | |
| Third Quarter | 2,000,000 |
| Fourth Quarter | 350,000 |

The program herein described is approved:

Harold E. Stassen

Harold E. Stassen, Director
Foreign Operations Administration

Nov. 5, 1953
Date

Attachments:
Detailed Project Descriptions

Project Proposal No. 1 - Fiscal 1954

1. Country: Saudi Arabia
2. Project Category: Agriculture - Irrigation
3. Specific Project: Water Development Program
4. Estimated Cost (1954 only): $3,800,000
   a. U.S. Contribution $2,000,000
   b. To be supplied by Saudi Arabia 1,800,000

5. Need for Project and Project Description*

A water development program to make it possible for nomads to settle on the land and to increase water supplies for the principal Saudi cities is the most promising of the projects for Saudi Arabia under recent discussion. The idea was generated by the Saudis themselves, it has been actively stimulated by both the Crown Prince and the Minister of Finance, and the Saudis are willing to contribute liberally to it

The description of the project given below is taken from a letter addressed to the Saudi Deputy Minister of Finance by Mr. Glen F. Brown, Chief of the Natural Resources Division, FOA. He also provides a detailed summary of cost totaling $3,771,400, of which the largest single components are $1,000,000 for development drilling (including pumps, motors and windmills), $750,000 for exploration drilling, $750,000 for aerial photography (exclusive of aviation gasoline) and $614,400 for the technical staff.

The most efficient way to accomplish such a program requires four steps or stage with adequate financing of each stage. These are:

1. Aerial photography.

2. Geologic and hydrologic mapping while obtaining ground control for the aerial photography. The preparation of mosaics by the photogrammetric contractors would follow as rapidly as field parties could determine the astronomical positions.

3. Exploration and test drilling.

4. Development drilling; installation of pumps and motors, and finally maintenance of pumps and engines.

In view of Aero Service Corporation's long experience with operating conditions in Saudi Arabia, they could probably do the job of aerial photography as quickly and as satisfactorily as any company. They are also protected for security of the photography in their Philadelphia plant where the pictures and mosaics should be prepared.

The second step requires active field work by trained geologists and engineers. Unfortunately, adequately trained and experienced geologists and hydrologists specializing in desert water supplies are scarce. It would be necessary to thoroughly canvass the professional fields. Possibly about ten geologists on aerial mapping, two sub-surface geologists, a water chemist, two radio operators, a general manager or contracting officer to see that the drilling operations are carried on in a

satisfactory manner, and some administrative assistants would be needed. As the program develops the number and type of specialists would undoubtedly change. The geologists should study all economic possibilities as well as water while making the survey if it is to have maximum benefit.

The third step, exploration and test drilling, can best be done by starting with the existing organization. Adequate trucks, drills and men are now into an exploration program which should provide a nucleus for additional work. Control and responsibility for the exploratory drilling should be handled through one office; and an American familiar with drilling equipment, shipping and financial conditions should serve as the protector for the Saudi Government and, to insure the effectiveness of the technical staff of geologists, he should be in the technical office as liaison between the scientists and the drilling contractor. The use of radios would greatly facilitate this work. Some of the exploration drilling could begin in the Riyadh region in order to utilize it for the search for additional water for the capital city.

The fourth step, drilling of development wells, could be handled in the same manner as the exploration drilling but it might also be submitted for bids on a footage basis, utilizing the exploration drilling for precise instructions as to depth, length, and position of screen or slotted pipe and well diameter. The installation of pumps and power as well as the maintenance of the pumping equipment could be handled by fixed fee contractors, installing the type of equipment that eventually local people could learn to maintain themselves.

6. Embassy comments on proposal:

The water development program would be a significant and immediate contribution to the Saudi Arabian economy. The Saudis have indicated that they would be willing to contribute a share of the costs and have already expressed a desire for increased development of water resources. Definite progress could be shown by the end of the fiscal year. The water program would be an effective manifestation of the "deeds not words" concept of economic aid. The projects are sufficiently engineered that immediate action could be taken by U.S. specialists. Mr. Glen Brown, Chief of the Natural Resources Division, FOA, who has been largely responsible for the preliminary work, enjoys the confidence of the Saudis and would receive their active cooperation. The Natural Resources Division, FOA, would form a nucleus around which the technicians needed for the projects could be grouped. As FOA budgetary limitations make impossible the addition of more technicians, required staff would have to be furnished from Special Economic Aid appropriations.

The Embassy considers that the U.S. contribution should be increased by $1,000,000, which would raise the U.S. contribution to slightly more than 50 per cent of the total estimated cost of the project. In this connection, the Embassy believes that in those projects for which specific economic aid is to be utilized it is desirable that the U.S. contribution total approximately 50 per cent of the project costs. In the first place, the figure of 50 percent is consonant with the idea of a "joint development program." Moreover, if the U.S. can contribute 50 percent of the cost of a project which it considers highly important for the development of the economy of the country and for which engineering is sufficiently advanced to provide for immediate development, the Saudis would be encouraged to expend their available funds on such projects rather than on those which, for various reasons, are less desirable according to U.S. views.

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* Taken from project proposal No. 1 submitted to the RECNE group by Deputy Assistant Secretary John D. Jernegan at Cairo, August 29.

Project Proposal No. 2 - Fiscal 1954

1. Country: Saudi Arabia
2. Project Category: Civil Works - Harbor Development
3. Specific Category: Jizan Harbor Development
4. Estimated Cost: $200,000
   a. U.S. Contribution $100,000
   b. To be supplied by Saudi Arabia 100,000

5. Need for Project and Project Description*

Jizan is the port of the Asir Tihama, a promising agricultural area but one which has lagged in development in part because of the absence of adequate land or sea communications with the rest of the country.

A few preliminary surveys of a reconnaissance nature have been made of the harbor area by Michael Baker, Jr. and FAO engineers. These surveys show that some simple improvements of the harbor could be made by construction of a small pier or jetty at a rather low cost--about $50,000. Such simple improvements could serve the immediate needs, but are believed to be insufficient for the needs which would arise from large scale development of the South Tihama area.

It is therefore proposed that consideration be given a cooperative project of development of the Jizan harbor in two stages: (1) survey, planning, and construction of a small pier or jetty; (2) survey and planning for future development of the Jizan Harbor to proceed with the economic development of the South Tihama basin in order to meet the needs of the basin as development progresses. As the execution of phase one of this development program is urgent, consideration could then be given to the undertaking of this project as rapidly as possible.

6. Embassy comment on proposal:

This project, on which certain preliminary surveys have already been made, appears to have definite worth for the future development of South Tihama area. Limited improvements to the harbor will help stimulate increased efforts to encourage agricultural development in this region. Produce would be economically shipped by sea to Jidda. Work could be immediately undertaken in view of preliminary T.C.A. surveys. The Saudi Arabian Government would be interested in making its contribution to the project as it has already manifested interest in the Asir Community Development project to which it has committed $500,000. The project would have the added attraction of encouraging agricultural development and extending economic aid to a section of Saudi Arabia which is regarded as possessing significant potential agricultural resources. FOA and FAO agricultural projects which are located in the near vicinity of Jizan would benefit from the expanded harbor facilities.

FOA would have a definite interest in rendering technical assistance to this project in view of the preparatory work which its technicians have completed.

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*Taken from project proposal No. 3 submitted to the RECNE group by Deputy Assistant Secretary John D. Jernegan at Cairo, August 29.

Project Proposal No. 3 - Fiscal 1954

1. Country: Saudi Arabia
2. Project Category: Agriculture - Irrigation
3. Specific Project: Abha Dam
4. Estimated Cost: $500,000
   a. U.S. contribution $250,000
   b. To be supplied by Saudi Arabia $250,000

5. Need for project and project description:

This project, which is designed to provide water storage for an irrigable area in the Asir, was stimulated by the inhabitants of the area, who have volunteered to do much of the work themselves. The site has been examined by FOA and has been found suitable from the standpoints of both construction and water supply. No firm cost estimates have been made butDr. Don Dougherty, FOA hydraulic engineer, says the dam would probably not cost over $500,000 and might be built for less. He estimates that 50,000 cubic yards of construction would be required.

6. Embassy comments on proposal:

This project, which is one of the basic requirements for agricultural development in Asir Province, would be another tangible contribution to the Saudi economy which would be of immediate benefit to an area of Saudi Arabia which has potential resources but which is undeveloped at present. With water control and irrigation facilitated by the construction of the dam, an active agricultural development program could be started. Surpluses from the area of the dam would find their outlets via Jizan, the Abha - Taif and the Jizan - Jidda roads. Work on the project could be begun immediately with FOA personnel familiar with the preliminary surveys available for general supervision of the implementation of the project.

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* Taken from project proposal No. 3 submitted to the RECNE group by Deputy Assistant Secretary John D. Jernegan at Cairo, August 29.

Project Proposal No. 4 - Fiscal 1954

1. Country: Saudi Arabia
2. Project Category: Civil Works - Interior Road Construction
3. Specific Project: Abha-Taif Road
4. Estimated Cost: (Fiscal 1954) $2,000,000
   a. U.S. Contribution $1,000,000
   b. To be supplied by Saudi Arabia 1,000,000

5. Need for Project and Project Description :

This road, to be built from Abha to Taif, would make a significant contribution to the efficient and economic distribution of agricultural products from the Asir and Southern Hejaz area. Although engineering data on this and other interior road projects is not so complete and detailed as for the water development and port projects, preliminary work could be started on currently surveyed sections while surveying work was continuing on other sections of the proposed route. Road building would also be another physical manifestation of U.S. interest in contributing immediately to the Saudi economy. A U.S. contribution to the improvement of communications with the Asir would undoubtedly have an effect on Saudi interest in completion of the Jidda - Medina, the Mecca - Taif and the Jidda - Jizan roads.

6. Embassy comments on proposal:

This project is considered by the Embassy to be the type that is envisaged under the provisions of the Special Economic Aid section of the Mutal Security Act of 1953. It will furnish a link between the potentially rich agricultural area of the Asir and the Southern Hejaz and the populated areas of Taif, Mecca and Jidda. The road would not duplicate the Jidda - Jizan road as the high escarpment to the east of the coastal plain makes lateral roads from the highland area to the coast almost impossible to construct. The agricultural produce of the interior would therefore of necessity be transported on the interior road from Abha to Taif.

Additional technicians would have to be furnished from Special Economic Aid funds as FOA personnel, already working at maximum capacity, would require additional assistance to contribute to the effective and productive implementation of the project.

October 30, 1953

OFFICIAL - INFORMAL

Mr. Harland J. Corson
Director, United States of America
Operations Mission to Saudi Arabia
c/o American Embassy
Jidda, Saudi Arabia

Attention: Mr. Taylor

Dear Harland:

I am sorry we have not given you more information as to the status of the grant aid agreements for Saudi. As indicated in a recent letter this project got bogged down due to two things, (a) the battle going on as to whether the program agreements should or should not be the obligating documents, and (b) the reorganization of the General Counsel's Office. I have gotten the whole thing sorted out as far as the Legal Division is concerned. Once the fund authorization is approved, there will be a cable coming out authorizing negotiations and that program project agreements are to be prepared in conformity with instructions contained in TCA Manual, Vol. 1, Section 321, dated September 1, 1953. It is hoped that these instructions are available in your office. In case they are not, we are sending you a set under separate cover. I may be optimistic about the above instructions since they specifically provide that agreements can be obligating documents. As I say, however, I am past the legal people but still have to get the following clearances: State, Gardner; Controller, Murphy; Operations, FitzGerald. It is obviously impossible to enter into negotiations until such time as the money is allocated. This operation has been standing still since Taylor left. I think now, however, I have gotten it on the tracks, and assuming that no snags are hit, should get reasonably early results.

When authorized to negotiate the program and project agreements, feel perfectly free to use the obligating feature if the program can be most effectively prosecuted with this device. You, of course, in this will need to leave sufficient lee-way that, if the final decision is made that they cannot be obligating documents, you have room to maneuver. If the agreements do contain the obligating feature, please provide sufficient and adequate justification in their transmittal. I will attempt to carry the ball in getting them approved. You will note in the TCA instructions that obligating documents must have prior approval from Washington before they can be executed. You may rest assured that I am leaving no stone unturned in the expediting of this program.

Sincerely yours,

Paul F. Taggart
Chief, Iraq-Saudi Arabia-Lebanon-Syria Division

O/NEA:PFTaggart:veb

Econ Dev

File

TCA

~~SECURITY INFORMATION~~

TELEGRAM RECEIVED

From: SECSTATE WASHINGTON

Date: 221727Z September 22, 1953

No.: 78

Code: CONFIDENTIAL

Received: September 23, 1953 9:30 AM

NOSEC

Regarding Embtel 107. For your information Department and FOA sympathetic to scope and type program submitted and will reserve $3,350,000 funds required. Are having detailed duscussions with Corson and others concerned and will instruct Mission on subject in near future. Will advise what further information needed following review here of available data

SMITH

ga

Distribution:

1-Jones - Action
1-Nelson
1-TCA
1-File

CONFIDENTIAL

MEMORANDUM OF CONVERSATION September 12, 1953
PARTICIPANTS: (SAME AS THOSE ON SEPT. 11)
SUBJECT: ECONOMIC AID TO SAUDI ARABIA

After the meeting assembled, Shaikh Abdullah said that the list of projects composing the Saudi Arabian development program had not been completed. While the preparation of the list was being completed, he would like to discuss one project in which the Saudi Arabian Government was deeply interested--the use of natural gas to manufacture fertilizer. (The discussion of this project will be described in a separate memorandum).

After the completion of the list of planned economic development projects, Shaikh Abdullah enumerated them one by one, including a brief description of each project. Mr. Dunaway commented that it would be helpful to the United States Government if Shaikh Abdullah could also furnish more specific information regarding these projects and particularly their estimated cost. Shaikh Abdullah replied that he would make this information available on the following day.

After Shaikh Abdullah finished his enumeration of the projects, Mr. Jones and Mr. Dunaway noted that he did not include the project concerning development of water resources. Shaikh Abdullah's first comment was that there were not sufficient geologists available to carry out the necessary surveys. Mr. Dunaway referred to Shaikh Abdullah's letter of July 7, 1953, requesting United States assistance to carry out this project, and pointed out that if it was decided to implement this project, additional geologists to the required number would be forthcoming. After further questioning, Shaikh Abdullah indicated that he was still interested in the project but that he had not considered it necessary to include it in his list since, in his opinion, it had been made known by his letter to Mr. Dunaway.

Mr. Jones said that if it was determined that some Saudi Arabian development projects would justify the use of United States economic aid, it would be necessary that expeditious action was taken to execute them. The funds presently available to the Near East countries had been appropriated for the present fiscal year ending June 30, 1954. Consequently, once the projects had been mutually agreed upon, it would be necessary to commit the funds involved as soon as possible.

It was agreed that a further meeting would be held on the following day.

MEMORANDUM OF CONVERSATION September 11, 1953

PARTICIPANTS: Shaikh Abdullah Suleiman, Minister of Finance
Abdul Aziz, Deputy Minister of Finance
Mohammed Baharieh, Secretary to Minister of Finance
Mr. Jones, Charge d'Affaires ad interim
Mr. Dunaway, Acting FOA Country Director
Mohammed Massoud, Embassy's Arab Consultant

SUBJECT: ECONOMIC AID TO SAUDI ARABIA.

Mr. Jones said that he had requested the appointment with Shaikh Abdullah in order to discuss with him the economic aid program of the United States and its applicability to Saudi Arabia. He said that the United States Congress had appropriated certain funds for economic development in the Near East countries and that these funds had not yet been distributed among the various countries in the area. The United States Government anticipated that there would be drawn up by the United States Mission in the various countries, in collaboration with the Government of the countries concerned, a list of projects for which the funds might be expended. As the various lists of projects together with the recommendations of the various Missions were received in Washington, the Foreign Operations Administration and the State Department would review them and, on the basis of this review, make the allocation of funds to the particular Near East countries. The Embassy therefore would like to discuss with Shaikh Abdullah, and with any other officials of the Saudi Government whom he might designate, projects in which the Saudi Government was interested in order to be in a position to submit its recommendations to Washington. Mr. Jones emphasized that it was envisaged that only those projects should be submitted which could be completely justified and for which the Saudi Government was interested to the extent that it would be willing to expend substantial amounts of money for their execution.

Shaikh Abdullah replied that the Saudi Government was very much interested in obtaining American economic aid provided that it was effective aid. In this connection, he mentioned the Jizan project under which the Saudi Government was to provide funds and TCA was to provide road-building equipment. While Shaikh Abdullah did not so state specifically, he implied that the United States aid in connection with this project was not effective in view of the delay in the procurement of the necessary equipment by TCA. Mr. Dunaway then explained that TCA had already obtained about two-thirds of the equipment and that the delay in the procurement of the remainder was caused by the inability of the United States Government to authorize local procurement at a higher price than that prevailing in the United States for the equipment. Mr. Dunaway added that all the necessary funds had already been allocated and that he hoped that the remainder of the equipment would be obtained soon.

Presumably as another example of the failure of the United States to render effective aid, Shaikh Abdullah referred to the offer by the United States to Saudi Arabia of certain quantities of dried milk and butter. He said that, while this offer was appreciated, an investigation had indicated

that the cost which would be incurred by Saudi Arabia in receiving this "free gift" would amount to approximately $100,000 and that, in his opinion, it would be advisable to expend the foregoing sum in the procurement of the type of food to which the Saudis were accustomed, such as bread, rather than for food such as butter, the benefit of which to the Saudis would be marginal. Mr. Jones commented that when the Embassy was asked for its views with respect to the offer of dried milk and butter to the Saudi Arabian Government, it had doubts as to whether this kind of food would be of value to the country. However, the Embassy thought that the Saudi Arabian Government should be given an opportunity to state whether or not it desired this type of aid and had therefore suggested that the question be taken up with the Saudi Ambassador in Washington.

Reverting to the general question of economic aid to Saudi Arabia, Mr. Jones said that if utilization of such aid in Saudi Arabia could be justified the United States would contribute funds for the execution of particular projects and that, in his opinion, such aid could be considered as effective aid.

Shaikh Abdullah then said that he would furnish the Embassy with a list of the economic projects which the Saudi Arabian Government hoped to carry out within the maximum period of ten years. Thus the United States Government would be in a position to review these projects to ascertain if they fell within the requirements for United States economic assistance. Mr. Jones said that he would be very interested to receive information about the Saudi Arabian program for economic development but that he would like to emphasize the fact that even if Saudi Arabia could qualify for aid, the amount of such aid would be limited as the needs of other countries in the area had to be taken into consideration. Moreover, the philosophy behind the granting of aid by the United States was that such aid would be necessary to carry out the project. If the Government itself was in a position to bear all the expenditures for the execution of its economic development program, United States aid might most effectively be authorized in other countries which could not afford to bear the complete cost of the development programs.

In reply to these observations, Shaikh Abdullah said that he thoroughly appreciated that the amount of United States aid to be made available would be limited. He also said that while Saudi Arabia wished to complete all the projects contained in the list which he was going to give to the Embassy, it would be unable to do so within the foreseeable future unless it received help from outside. He said that the situation might be compared to building a house. Saudi Arabia would be responsible for the completion of the greater part of the house but would like to rely upon the United States to furnish a few of the doors and windows. In addition, the carrying out of the Saudi Arabian development program would be substantially delayed if aid from the United States was not forthcoming.

The meeting was then closed and arrangements were made to meet again on the following morning at which time Shaikh Abdullah said that he would furnish the Embassy with a list of the Saudi Arabian economic development projects.

MEMORANDUM OF CONVERSATION September 13, 1953
PARTICIPANTS: (SAME AS THOSE ON SEPT. 11 & 12)
SUBJECT: ECONOMIC AID TO SAUDI ARABIA

Much of the conversation this morning was devoted to a discussion of subjects which are not directly connected with the United States economic aid program and will therefore be described in a separate memorandum. The portions of the conversation touching upon the economic aid program follow:

Mr. Jones stated that at this time the United States could not make any specific commitments with respect to the economic aid which would be made available to Saudi Arabia and that therefore it could not expect the Saudi Arabian Government to make commitments on its part. However, it would serve no purpose for the Embassy to submit recommendations regarding particular projects to Washington if the Saudi Arabian Government was unwilling to contribute a substantial portion, if not the greater part, of the funds necessary to carry out such projects. The Embassy would therefore like to know if the Saudi Arabian Government was prepared to contribute substantially to the carrying out of the various projects which Shaikh Abdullah had enumerated previously, and particularly the water development project, the Jizan port development project, and the Abha dam project. Shaikh Abdullah replied that the Saudi Arabian Government had decided that all the projects which he had included in his list, including the ones enumerated by Mr. Jones, were needed for the country and that the Saudi Arabian Government would therefore be willing to contribute substantially for their execution.

Econ. Div.

AIRGRAM

~~OUTSIDE SECURITY AGENCY~~

SECURITY CLASSIFICATION
UNCLASSIFIED

DATE SENT 2 Sept 2, 1953

DATE REC'D.

FROM -- FOA/W

SENT TO -- all FOA ~~Short Term~~ Missions
/MUSTO CIRC ~~#~~ A-33
TECTO CIRC A-38

CERTAIN FOA MSNS

3

ADDRESSEE DISTRIBUTION
ADFK 12
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CF
**********
NOTE 5 ATTS TO EACH POST LISTED
**********

SUBJECT -- Public Administration. Bulletin: National Organization for the Conduct of Economic Development Programs.

REFERENCE --

1. Attached are five copies of the revised International Institute of Administrative Sciences document: "National Organization for the Conduct of Economic Development Programs", originally sent most missions in June 1952. This paper was prepared for use in connection with the September 1953 Congress of the IIAS in Istanbul which responsible government officials from most FOA countries are attending. The document will later be published in the series of bulletins on public administration problems prepared by the IIAS for the United Nations. Bulletins in this series have previously been sent most missions.

2. Please arrange for copies of this document to reach host country officials concerned with organization for economic development.

FOA-225P

3. Comments of participating country officials and mission welcomed prior to October revision following discussions of this document at Congress in Istanbul.

4. Additional copies for use by mission personnel or for participating country officials may be secured through FOA/W.

OTHER AGENCY

STATE 1 8 6 4 12 10 2 4 6

STASSEN

MUSTO CIRC

USRO, Paris 2
SMEC to Vienna 3
SMEC to Brussels 6
SMEC to Copenhagen 12
SMEC to Bonn 3
SMEC to Paris 3
SMEC to Athens 3
SMEC to Reykjavik 10
SMEC to Rome 6
SMEC to The Hague
2 MSA Economic Group, Madrid

SMEC to Oslo 3
SMEC to Lisbon 3
SMEC to Ankara
SMEC to London 3
SMEC to Belgrade 3
STEM to Saigon 3
STEM to Bangkok 3
STEM to Manila 3
MSA Mission to Taipei 3

TECTO CIRC

AMEMBASSY, Cairo 3
AMEMBASSY, Addis Ababa 3
AMEMBASSY, Tehran 5
AMEMBASSY, Baghdad
AMEMBASSY, Amman
AMEMBASSY, Beirut
AMEMBASSY, Monrovia
AMLEGATION, Tripoli
AMEMBASSY, ~~XX~~ Jidda
AMEMBASSY, Kabul

AMEMBASSY, Rangoon
AMEMBASSY, New Delhi
AMEMBASSY, Djakarta
AMEMBASSY, Karachi

| AUTHORIZING OFFICER | DRAFTED BY | OFFICE | PHONE NO. | DATE |
|---|---|---|---|---|
| Clayton Lane, AD/FE | Drohat/Salter | AD/FE | 2227 | 8.31.53 |

MSA AND OTHER CLEARANCES
Stone/Consultant (in draft)
Sherman/TCA "
Salter, AD/FE "
Shorter, AD/E

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MSA AND OTHER CLEARANCES
DAFitzGerald-DD/O

Budget.

SECURITY INFORMATION

TELEGRAM RECEIVED

270700Z

FROM: SECSTATE WASHINGTON

DATE: August 26, 1953

No: Circular TECTO 39

Reced.: August 27, 1953
4:30 PM

CODE: CONFIDENTIAL

Calcutta pass Katmandu.

Level of aid proposed for FY 1955 budget estimates.

I. In submitting proposals for technical cooperation and special economic aid programs in FY 1955 you should be guided by following general policies (See also TECTO Circular A-23 dated August 18 to Neads, TECTO Circular A-25 dated August 20 to ADS, and memo DTC 206 dated August 14 to IIAA countries.):

A. Technical Cooperation Programs.

1. You have already been cabled tentative FY 1954 country program figures authorized discussion with local government officials and development current operating programs. FY 1955 programs should be submitted on a "requirements" basis but bearing in mind the President's desire to reduce expenses and balance the US budget. You should, therefore, assume that FY 1955 program your country will be no greater ~~xxxx~~ magnitude than the FY 1954 "planning" figure and that so far as appropriate it will actually reflect some reduction in total. In particular, individual sub-activities should ordinarily show definite decline as progress of operation begins achieve program objectives.

2. You may, however, submit separate recommendations for augmented FY 1955 programs when considered required by situation and US policy interests. In all such cases particularly full justification must be provided - both in terms of US policy considerations and of specific need for particular increase in activity proposed.

B. Special Economic Aid

1. For India and Pakistan you should assume new appropriations will be requested through FY 1956 continuing present magnitude aid. Any larger figure should be presented as separate and supplementary proposal and only to extent supported by powerfully compelling justification. You are asked particularly consider possibility of making greater use of loans to accomplish purposes for which special economic aid sought and to comment in detail on such possibilities.

CONFIDENTIAL

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For Near East countries not yet possible indicate country planning figures of special economic aid for FY 1954. Separate FY 1954 instructions will be transmitted as soon as Washington decisions can be made. Appears probable that total proposed for FY 1955 should not exceed $135 million appropriated for current year; but whether in fact considerably larger or smaller figure will eventually BE proposed to Congress must depend large part on successful utilization of present funds to achieve stated technical economic objectives for Near East area as whole.

II. In all FY 1954 and FY 1955 program planning emphasized that you should particularly seek to make appropriate use of surplus agricultural commodities under Section 550 of Mutual Security Act as already directed in above reference communications. In the case of India, however, special care should be taken to comply with the cautions of the reference airgram.

STASSEN

File 1
2
Chron.

Jidda, Saudi Arabia

July 21, 1953

OFFICIAL - INFORMAL
CONFIDENTIAL

Dear Paul:

I was very glad to have your letter of July 8 and to know of your continued interest in economic aid to Saudi Arabia. I note that the case of S.A. is pretty slim but not hopeless and I will be very glad to give my views in the hope they may be of some use to those of you who are concerned with the allocation of the special grant in aid to the Middle East.

In addition to Embassy despatch No. 387 you have no doubt received Embassy despatch No. 25 of July 11 transmitting an official request of SAG for direct financial aid for certain capital expenditures.

Before outlining my views on the particular projects, it will help toward a proper perspective to discuss briefly the relation of these projects to the whole American effort in this country.

1. TCA Budget and Program.

As you know, our requested budget planned to carry out the purposes and objectives of our several agreements has been cut in half. It is obvious that our efforts will be only partially successful under these conditions. Moreover, due to various causes, all of the new activities, health, education, agriculture and community development have been very slow in getting under way. SAG officials have expressed dissatisfaction at the lack of tangible results and when they discover that our total operating budget is less than half that of any other country in the Middle East and less than one-fifteenth that of some of these countries, their dissatisfaction and resentment will be intensified.

2. Political Problems.

There are some important political problems between the Arab world and the West in which Saudi Arabia is deeply concerned. It seems fairly obvious that there are no satisfactory solutions in sight for any of these.

Mr. Paul F. Taggart,
Chief, Iraq-Jordan-Saudi Arabia Branch, NEADS,
Technical Cooperation Administration,
Washington 25, D. C.

Now it seems to me that if on top of disappointment in the two fields mentioned above, SAG receives nothing at all from the well advertised grants in aid, there is bound to be a deterioration in relations with the USA. This unhappy state of affairs will prevail regardless of how good the reasons are on which this treatment is based.

As for the three projects for which special aid has been recommended, I am not sure I can add very much to what the Embassy has already said and what we have said in letters, reports and telegrams, but I am very glad to review them briefly.

1. Water Development

Water is the prime limiting factor to agricultural production, not only of the people settled on the land but also of the nomadic people. SAG has long recognized this, and has for years been doing what it could to increase the water supply. Technical assistance in this field was secured from the USGS before Point 4 was established. ARAMCO has also rendered great assistance in this field. The principal weakness of the efforts so far has been in the lack of good judgment in the use of the water and in the inefficient governmental organization handling the drilling, pump installation and operation. Several months ago the high governmental officials led by the Crown Prince proposed a country-wide effort to develop the ground water supply. They asked Dr. Glen Brown, Chief of our Natural Resources Division, to outline a program for this purpose. He did so and his plan with estimated costs and timing schedule are given in the report accompanying the Ambassador's despatch 387. All that SAG expected of TCA at that time was the technical aid which the program would require. However, before releasing Dr. Brown's report, on the advice of the Ambassador I telegraphed TCA/W for authority to undertake the technical work in connection with this program, only to be informed for the first time that our program had been reduced from the requested $2,100,000 to $1,000,000, and that there was no possibility of our participating fully in the expanded program.

The situation now is that with or without TCA cooperation the expanded drilling program will probably be carried out. Without our technical supervision it will be exceedingly wasteful, not only in the cost of drilling and pump installations, but in the utilization of the water. On the other hand, we have the chance to demonstrate the advantages to be derived from a joint fund operation in which the wells will be located on the basis of geologic data rather than haphazardly, and the drilling and pump installations will be managed at reasonable cost instead of the extravagance, waste and inefficiency which are inherent in SAG's unassisted operations.

I have had a good chance to evaluate the TCA program as a whole -- what it has accomplished and what it may reasonably be expected to accomplish -- and it is my considered opinion that this expanded water program will do more to improve the economy and to raise living standards than all other TCA activities combined. The results will be greater and

more immediate

more immediate compared with cost than anything else we could do. Moreover, the program is one in which the host country believes and in which it is willing to invest its own money.

2. The Abha Dam

Abha was given some consideration as the site of the Community Development Project. I am not sure why El Darb was chosen but I imagine it was because the cost of the proposed dam was too great in relation to the total available funds -- there would be too little money left for agriculture, health, education, etc.

Now in spite of the importance of exploiting the underground water supply, the main reliance of agriculture will be on surface water -- the floods roaring down the wadis after the infrequent rains. In most wadis it is not feasible to build dams for all year-round storage but irrigation depends upon various types of diversion dams. Abha is one of the few places where a storage dam seems feasible from the standpoint of suitable site, comparative absence of silting, available land and population. The dam would be adjacent to the principal town of the Asir, with a population of some 15,000. Mr. Dougherty, our hydraulic engineer, has made the preliminary survey on which the cost estimate was made and Dr. Brown, our chief geologist, has also given his endorsement after exploring the geology. In addition to the technical factors favoring this dam Dr. Brown reports that the Amir and the people generally have expressed their willingness to contribute money and labor in its construction. They point out that there was a dam here in ancient days, that they have not rebuilt it only because it is beyond their financial ability and that they have so far been unable to secure technical and financial assistance from SAG. (See Dougherty's report to the Minister of Finance of July 31, 1952, and the Twitchell-Wathern-Hamilton report of 1943.)

3. The Gizan Harbor

I have nothing much to add to what I said in my letter of June 1. The estimates were made by the FAO and before anything further is done I believe that a more thorough engineering study is in order.

4. Public Roads

In the despatch mentioned above and in a recent communication from the Minister of Finance which has been forwarded with Embassy despatch No. 25 of July 11,1953, mention is made of the importance of road building as a factor in economic improvement. I heartily concur and would place more adequate road facilities next in importance to water development. As you will no doubt recall, we are lending SAG road building machinery for use on the road from Jidda to the Asir. In addition to the machinery the estimate of the engineer who surveyed the road calls for some $350,000 to build a

passable road

passable road and three or four times this to build a good hard surfaced road. SAG is undertaking this construction with its own funds and I mention this only to indicate the importance of the road mentioned in the despatch, that is from Gizan-Abha to Taif. Unfortunately we have insufficient engineering data on which to estimate cost but there can be little doubt of the economic importance of this road to the development of the whole Asir region.

If there is any additional information on this subject which would be of help in presenting the case for Saudi Arabia, please let me know and it will be forthcoming to the limit of our ability. While I of course am not empowered to speak for the high officials who recently visited Saudi Arabia, I got the distinct impression that they were sympathetic not only to our TCA problem but more especially to the importance of a more concerted effort in the development of water resources. I have hope therefore that a presentation to Messrs. Dulles, Stassen and Byroade would be well worth while. I hope also you have a chance to confer with Ambassador Hare while he is in Washington.

With personal regards.

Sincerely,

John A. Dunaway
Acting U. S. Director of
Technical Cooperation in
Saudi Arabia

JADunaway:o

copy

Econ Aid
Social Econ.
Arab Econ Unit

AIR POUCH

SECRET
Security Information

AMEMBASSY, JIDDA

25

July 11, 1953

Embassy's Despatch 387, June 18, 1953

SAUDI GOVERNMENT'S REQUEST FOR ECONOMIC AID.

There is enclosed a translation of a letter dated July 7 from Shaikh Abdullah Sulaiman, Saudi Minister of Finance, to the Acting Director of TCA in Jidda, Mr. John A. Dunaway. It will be observed that Shaikh Abdullah requests on behalf of the Saudi Arabian Government that additional economic assistance be given by the United States to Saudi Arabia. He also lists several developmental projects forwhich such aid would be utilized, including water development, the Jizan harbor development project, the building of a road network to connect agricultural areas with the chief towns in the northern part of the country, and the establishment of a chemical fertilizer project.

The Department will recall from the Embassy's despatch 387 that the Embassy expressed the view that water development was the most promising of the projects for the utilization of economic aid for this country. The construction of a dam at Abha and the Jizan harbor project were also considered to have merit. The Embassy doubts, however, that the construction of a chemical fertilizer plant, which was proposed in Shaikh Abdullah's letter, is the type of project to be financed from a grant for economic assistance. In this connection, Shaikh Abdullah, in a conversation with the Acting TCA Director on July 7, furnished additional information with respect to the Saudi views on the implementation of this project. He stated that he was seeking the services of an American company to construct and operate a plant for the utilization of natural gas for the production of fertilizer and suggested that 20 per cent of the capitalization might be advanced by the Saudi Government, 20 per cent by the American company and the remainder obtained from bank loans. On the basis of two reports prepared on this project (one by Aramco officials and the other for the FAO) which have been made available to TCA, it seems that a capital of at least 50 million dollars would be needed for the construction of a plant of the optimum economic type. Both the Embassy and TCA are not in a position to comment definitively either on the economic feasibility of the project or the suggested plan of capitalization.

The Embassy reiterates its request that the Department consider sympathetically the inclusion of one or more of the projects described in the

cc: Dhahran
Dept: Pls pass Arab Caps

JJJones/wbg

SECRET
Sedurity Information

Embassy's despatch 387, and also in the enclosed letter from the Saudi Minister of Finance, in the proposed economic assistance program for the Near East area. The Embassy would be glad to furnish any additional information on these projects which the Department may need in its consideration of an economic assistance program in Saudi Arabia.

J. Jefferson Jones, III
Chargé d'Affaires ad interim

Enclosure:
Letter dated July 7, 1953.

Econ Ac

Kingdom of Saudi Arabia
Ministry of Finance
Jidda
July 7, 1953

Dear Mr. Dunaway:

Further to my letter No. 151 dated 27/8/72 (May 11, 1953) regarding the development projects contemplated by the Saudi Arabian Government throughout the Kingdom and with reference to our discussions on this subject during the several conferences held, I wish to express the need of the Saudi Arabian Government for an increased share of United States Government's special assistance which is required for carrying out a number of projects already studied by the Technical Cooperation Administration technicians and other international missions and for which the final reports have already been submitted and consequently approved in principle by the Saudi Arabian Government. The principal objective of these projects is to raise the standard of living of the Saudi Arabian people and secure their means of livelihood.

You are, undoubtedly, aware of the fact that the United States Congress is now considering, among other things, the question of rendering economic assistance to the countries of the Near East on the same basis as has been done in previous years and that, with the exception of Saudi Arabia, all the Near East countries have had generous shares of this assistance during the few preceding years. Hence the purpose of writing this letter, inviting attention to the strong relations and mutual interests between the Government of the United States of America and the Government of Saudi Arabia; reminding of the importance of the time factor, lest the basis for granting this economic assistance be adversely and irrevocably determined; and hoping that Saudi Arabia will, this year, obtain a generous share of assistance sufficient to carry out the most pressing and vital projects already studied.

Mr. John A. Dunaway
Acting U. S. Director
Technical Cooperation Administration
J I D D A

Several reports containing the recommendations and suggestions of the Technical Cooperation Administration technicians on the various development projects have already been submitted to the Saudi Arabian Government by you. Of paramount importance is "The Extensive Drilling Program" entailing aerial survey, building of dams, reservoirs, etc. You are cognizant of the important role that water plays in elevating the standard of living in this country and the settlement of its inhabitants. You are also aware of the Saudi Arabian Government's interest in this program and its firm intention to put it into effect. However, Saudi Arabia is still in its initial stages of development and its revenue, including oil royalties, do not enable the Government to carry out, single-handed, all such projects in addition to its normal and current obligations. A larger portion of economic as well as technical assistance is therefore needed. In requesting assistance from a friendly country such as the United States, the Saudi Arabian Government hopes to utilize such assistance for the advancement of its people so as to enable them to join hands with the peoples of the free world and help them to attain a noble and common goal, namely: peace everlasting, a deep rooted stability and the repellance of our common danger and hazards.

The water projects contemplated by the Saudi Arabian Government include finding new sources; conservation of present water supplies; and establishing regulation works, dams, reservoirs, etc., in accordance with the recommendations of the American experts and the experts of the international missions in Gizan, Abha, Riyadh, and other districts; and exploiting this water in the best manner advantageous to all Saudis without discrimination.

Next to the water projects in importance, comes the Gizan Port Development Project and the building of a net of roads to connect the agricultural areas with the principal towns in the north. These two projects have a far reaching effect on the agricultural production and its growth and, in consequence, the reduction of foreign imports and the establishment of an economic revival both real and everlasting.

Economic assistance is also needed for building roads that will connect the Asir with the coastal plain,and Abha with Taif, as these roads are of vital importance to one of the most densely populated areas in Saudi Arabia. They are also important to the Hejaz, the district of great religious consideration where thousands of Moslem pilgrims congregate annually to perform pilgrimage rites in the Holy City.

We have previously written to Mr. Eric Johnson about the chemical fertilizer project and asked him to inquire about the extent of the assistance that the Technical Cooperation Administration could render to Saudi Arabia to help carry out this project. Inasmuch as this project is of economic importance to our country and to the countries of the Near and Far East, we wish to be informed as soon as possible and with utmost urgency of the Technical Cooperation Administration's attitude towards the project. The preliminary studies have already been completed and the plant and its requirements are being studied by Mr. Alto, the technician attached to the Department of Technical Assistance of the United Nations.

Last, but not least, we wish to point out that the Saudi Arabian Government has proved that it does not lag in rendering any assistance within its power to the United States Government. The communication facilities are a unique example of good will and common interests and is an initial step towards a continued friendly relationship and cooperation between our two Governments and the achievement of a higher standard of living both economically and socially to our people.

Yours Sincerely,

Abdullah Suleiman
Minister of Finance

Econ. Dev.

American Embassy
Jidda, Saudi Arabia

MEMORANDUM

June 28, 1953

TO: Mr. G. W. Ferguson, Chief, Health & Sanitation Division

FROM: J. A. Dunaway, Acting U. S. Director of Technical Cooperation in Saudi Arabia JAD

SUBJECT: Economic Aid to the Middle East

In regard to your memo of the 22nd inst., I think I have already sufficiently explained the matter to you verbally. However, since you are, as you told me, "writing for the record", permit me to say that according to information at hand, the economic aid recently requested from Congress is for projects which directly contribute to the economy of the country and that projects in public health, education, etc. are not included. This proposed special economic aid is quite apart from grants in aid in connection with TCA programs, under which, as I understand it, all projects in public health must be considered. I think perhaps you have the wrong impression as to the part played by the recent conference in the distribution of the funds, if and when they are appropriated. The distribution will be made by the MSA on advice and recommendations received from diplomatic offices, TCA and other sources, and no special council has been set up to make the allocations. I am sure the Public Health Service in Washington is fully informed on this matter and that communications from us on the subject would serve no useful purpose.

JADunaway:d.jh

Nothing Received for files
on Brown's suggestions.

Secret - Security Information

Economic Dev. Council

File B

UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION
Jidda, Saudi Arabia

MEMORANDUM

June 22, 1953

TO: John A. Dunaway, Acting U. S. Director of Technical Cooperation in Saudi Arabia

FROM: G. W. Ferguson, Chief, Health and Sanitation Division

SUBJECT: Economic Development Council for the Middle East G.W.F.

About June 11 you mentioned to me that the Ambassador was going to Beirut to attend a meeting of Middle Eastern Ambassadors to discuss the plans for economic development in the Middle East. On June 13th I went on leave.

On June 16 I stopped by the office to pick up mail and we had another little chat. You informed me that the Ambassador wanted some proposed plans for economic development of Saudi Arabia and that Mr. Betzig, Mr. Brown and Mr. Edens had presented ideas, but that Brown's plans and ideas were the only ones that fulfilled the requirements of the Economic Development Council.

It would be appreciated if the Division of Health and Sanitation could receive some written information or instructions from this Council or from someone, so that we could better understand what type of projects would be accepted for consideration.

Since the health of a people has considerable effect on their economic development, it seems quite possible that this Council would welcome some projects concerning public health.

GWFerguson:o

AMEMBASSY, JIDDA. 387

June 18, 1953

Department's Instruction 9, May 27, 1953.

ECONOMIC AID TO THE NEAR EAST.

In accordance with the Department's request, the Embassy submits its comments on the reference despatch, particularly concerning projects that would, it is believed, warrent investigation in Saudi Arabia.

The only general comment which we would make is to note that, in the illustrative figures given, one again sees the familiar pattern of parity between Israel on the one hand and the Arab states, now augmented by Iran, on the other. This is deduced by subtracting from the total of $194,000,000 requested funds the suggested allotment of $30,000,000 for Palestine refugees, $24,000,000 for dependent overseas territories and $70,000,000 for Israel and by assuming that most of the $1,900,000 for civilian aviation development would go to the Arab states and Iran. This is, of course, an old story which need not be re-debated here, and it is hoped that, by the package approach, invidious comparison may be avoided. However, the opposite seems the more likely and, in that event, we would again have to face the problem of seeing much that we had hoped to gain in terms of improved relations lost in clouds of misunderstanding and recrimination.

As regards suggested projects for Saudi Arabia, we wish to make several general observations before submitting specific recommendations. To begin with, we note that the illustrative examples exclude Saudi Arabia. This follows precedent according to which Saudi Arabia is usually placed at the end of the line in assistance planning on the grounds that large income and maladministration do not make it an appropriate candidate for our benefaction. Viewed subjectively, there is a certain validity to these arguments; viewed objectively, however, the situation looks quite different.

In the first place, it should be pointed out that it is unreasonable to judge Saudi Arabia materially on the same basis as the other countries of the area which, through long contact with the outside, have reached a degree of material development with which Saudi Arabia cannot even begin to compare. Saudi Arabia is literally beginning from scratch with little more than a few mud houses and animals as an economic base and, even with the most effective use of its new wealth, it will indefinitely remain in an inferior position as compared with its neighbors unless special steps are

cc: TCA, Jidda.
Dept: Pls Pass Arab Caps, Dhahran.

RAHare/wbg

taken to close the gap. Furthermore, as far as maladministration is concerned, here again rigid comparison with others can be only partially justified since, much as one may deplore the shortcomings of the existing regime, it should be realized that only a few years ago it served quite adequately to meet the exigencies of the pastoral life of the desert. It is true that it is now ill-adapted to meeting the demands of modern life but it would be asking too much to expect a complete transformation almost overnight.

In the second place, we should like to venture a word on the question of comparative needs in assistance policy determination. As we understand it, there are two needs to be considered in the determination of assistance programs. The first and over-riding need is our own. Basically we give because we want something which we believe would be in our own interests. What we want may be specific or general, direct or indirect, but we should be able to define it in order to justify our giving.

Then there is the need of others, particularly for the things we can give. It would be pleasant, of course, if we could respond to that need in toto but what we can actually do is relatively minimal and we must consequently resort to selectivity in order to strike the best balance between our own needs and what is needed from us; between the "needed" and the "needy".

Rationalizing the foregoing in terms of Saudi Arabia, the conclusion is inescapable that Saudi Arabia is one of the most "needed" countries in this area as far as we are concerned because of oil and strategic interests, i.e., Aramco and Dhahran Airfield. In no other country of the area do we have anything approaching such tangible American assets; with Saudi Arabia only do we have what we frankly admit to be "special relations". What we must face up to is that our position here cannot be taken for granted except at our peril; that, as matters stand, the Saudis can more readily apply pressure on us than we can on them; that the process of change which we so often wish to see hastened already shows evidences of developing tendencies inimical to our interest; that a major source of developing friction is our assistance policy itself, concerning which the Saudis feel that we not only underestimate their needs as compared to those of their neighbors but that we also seem to feel that fulfilling our own needs is a one-way proposition not requiring reciprocation and that friendship with us is a thankless business, particularly as contrasted with the liberal rewards offered to active or potential trouble makers. This is not a particularly pretty picture but that is how the situation stands and one can only foresee a steady worsening of relations unless we can strike a better balance based on a more realistic estimate of our own clear interests and of measures which should be taken to maintain them before present deterioration reaches unmanageable proportions.

We trust the Department will understand that, in advancing these ideas, we do not wish to seem to be delivering ourselves of a sermon but, since

we have found that these considerations come up so recurrently in discussions of assistance to Saudi Arabia, we have taken the liberty of using this occasion to attempt to put them on record.

Turning finally, and at somewhat long last, to specific recommendations regarding Saudi Arabia, developmental projects which have already been discussed and come most immediately to mind are the Riyadh-Jidda railway, the use of natural gas from the oil fields for industrial purposes, water development, a harbor at Jizan and a dam at Abha. Of these, we would be inclined to discard the railway project as being too large and too difficult to justify in terms of immediate economic advantage. So, also, study of gas utilization (and it has been extensive) would not seem to have reached the point where firm recommendations could be made. However, water development, the Jizan harbor and the Abha dam are all attractive projects which have been well studied and deserve consideration.

Of these projects, water development is, in our opinion, far and away the most promising. To begin with, the idea generated with the Saudis themselves; it has been actively stimulated by both the Crown Prince and the Minister of Finance; the Saudis are willing to contribute liberally to it; and it is directed specifically to improving the lot of the people in various parts of the country by making it possible for nomads to settle on the land. It is believed that the Department is already fairly well documented on this subject but, for convenient reference, there is enclosed a letter addressed to the Saudi Deputy Minister of Finance by Mr. Glen F. Brown, Chief, Natural Resources Division, TCA, outlining a program and enclosing an estimate of cost for the first year based on the assumption that no outside assistance would be rendered. In discussing this project further with Mr. Brown, he observed that basic exploration had already been done in the eastern part of the country (Al Hasa) by Aramco but that a great deal remains to be done in the areas of the central plateau (Nejd) and the west coast (Asir, Hejaz). He added that two sources of water hold promise: firstly, fossil water in the limestone fringe of the shield running from Najran to Duwadmi, Anaiza and Buraida in the northwest, and to Hail and Hisma in the northeast, about 150 miles north of Hejh; secondly, water in deep gravel beds of wadis which makes its way underground toward the sea. According to Brown, the minimum period during which such development could be properly carried out would be three years, with special emphasis on photographic mapping and exploration at the beginning of the period, whereas the developmental aspect would increase as the program progressed but with some development taking place throughout. Mr. Brown said he had not developed cost estimates for the second and third years but that the total for the three years might be expected to run between 12 and 15 million dollars. This, however, was only a rough guess.

As regards the possible amount and character of our participation in this project, it would be our suggestion that we participate on a joint fund basis and that our contribution should be in the form of a lump obligation for a three year period in a fixed amount approximately one-half of

the anticipated cost, i.e., between $5,000,000 and $7,500,000, on the understanding, however, that our expenditures could be curtailed or stopped in the event that suitable standards were not maintained.

Concerning the Abha dam (Asir), this is a project of modest proportions of which the study was stimulated by the representations of the inhabitants themselves, who have even volunteered to do much of the work if given the opportunity. The site has been examined by both TCA and FAO and has been found suitable from the standpoints of both construction and water supply. No cost estimates have been made but Mr. Brown says the dam would probably not cost over $500,000 and might be built for much less. He estimates that 50,000 cubic yards of constructions would be requi[illegible]rpt

Concerning the Jizan harbor project, there is enclosed an [illegible] from a letter addressed to the Acting Country Director, TCA, by the Assistant Deputy Minister of Finance, on April 25, 1953. Regarding the cost estimates referred to therein, it may be noted that the FAO estimates cover only the first phase involving the construction of a small pier or jetty and the amount mentioned was $50,000. No estimate is known to have been made for the more complete development of the harbor. The importance of this project lies in the fact that Jizan is the port of the Asir Tihama, a promising agricultural area but one which has lagged in development partly because of the absence of adequate land or sea communications with the rest of the country.

For general reasons outlined in the first part of this despatch and also because of the inherent merits of the projects mentioned, the Embassy recommends that the Department take under serious advisement the inclusion of one or more Saudi projects in the proposed economic assistance program for the area.

Raymond A. Hare

Raymond A. Hare

Enclosures:
1. Ltr 4/13/53 to Deputy Finance Minister
2. Exerpt of ltr of 4/25/53 to Acting TCA Country Director

TECHNICAL COOPERATION ADMINISTRATION
American Embassy
Jidda, Saudi Arabia

April 13, 1953

H.E. Deputy Finance Minister
Kingdom of Saudi Arabia
Jidda

Your Excellency:

In accordance with the request of H.E. Finance Minister and our discussions, I submit a plan for an expanded water development program aimed eventually at furnishing stock water to wandering tribesmen and at helping agricultural developments for settlements. In the preparation of these suggestions, I have had the cooperation of the Arabian American Oil Company and of Mr. Dunaway, Acting Country Director for TCA. There has also been some discussion with Mr. Charles Buck of Morrison-Knudson Company, Mr. George Wilson of Michael Baker Company, and members of the Geological Survey in Arabia with me. The recommendations are my own.

The most efficient way to accomplish such a program requires four steps or stages with adequate financing of each stage. These are:

1. Aerial photography as outlined in the letter of Mr. Robert Smith, Vice President of Aero Service Corporation, to you on March 9, 1953.
2. Geologic and hydrologic mapping while obtaining ground control for the aerial photography. The preparation of mosaics by the photogrammetric contractors would follow as rapidly as field parties could determine the astronomical positions.
3. Exploration and test drilling.
4. Development drilling; installation of pumps and motors, and finally maintenance of pumps and engines.

The first step is adequately discussed in Mr. Smith's letter. The price estimate seems fair when compared to existing contracts. And in view of Aero Service Corporation's long experience with operating conditions in Saudi Arabia, they could probably do the job as quickly and as satisfactorily as any company. They are also protected for security of the photography in their Philadelphia plant where the pictures and mosaics should be prepared.

The second step requires active field work by trained geologists and engineers. Unfortunately, adequately trained and experienced geologists and hydrologists specializing in desert water supplies are scarce. It would be necessary to thoroughly canvass the professional fields and perhaps begin with fewer men than the scale your program envisages. Possibly about ten geologists on aerial mapping, two subsurface geologists, a water chemist,

two radio operators, a general manager or contracting officer to see that the drilling operations are carried on in a satisfactory manner, and some administrative assistants would be needed. As the program develops the number and type of specialists would undoubtedly change. The geologists should study all economic possibilities as well as water while making the survey if it is to have maximum benefit. Also, promising young Arabs should be attached to the field parties and assigned to the laboratory work to prepare them for replacing American specialists as rapidly as possible.

The third step, exploration and test drilling, can best be done by starting with the existing organization. Some changes are needed in the present way of handling purchases and finance. Adequate trucks, drills, and men are now into an exploration program which should give us a nucleus for additional work. Control and responsibility for the exploratory drilling should be handled through one office; and an American familiar with drilling equipment, shipping and financial conditions should serve as the protector for the Saudi Government and, to insure the effectiveness of the technical staff of geologists, he should be in the technical office as liaison between the scientists and the drilling contractor. The use of radios would greatly facilitate this work. Some of the exploration drilling could begin in the Riyadh region in order to utilize it for the search for additional water for the capital city.

The fourth step, drilling of development wells, could be handled in the same manner as the exploration drilling but it might also be submitted for bids on a footage basis, utilizing the exploration drilling for precise instructions as to depth, length, and position of screen or slotted pipe and well diameter. The installation of pumps and power as well as the maintenance of the pumping equipment could be handled by fixed fee contractors, installing the type of equipment that eventually local people could learn to maintain themselves.

Any extensive ground-water development in Saudi Arabia should be studied from the viewpoint of Moslem law and control so that water be not wasted nor withdrawn to exhaustion or to salt water encroachment.

Attached is an estimate of cost to your Government. This amount should be set aside and made available at the time that the money would be needed by the contractors. Delays cause excessive increases in cost and these figures are based on the condition that there will be no delay in financial arrangements.

Please accept my respects.

Glen F. Brown
Chief, Natural Resources
Division

Attachment

1
386
Jidda 6/18/53

Summary of estimated costs to the Saudi Government

The estimated cost to the Saudi Government of each step of the program for the first year of effective operation is as follows:

1. Aerial photography. Between $1,347,500 and $1,655,500 for the total photography plus aviation gasoline, oxygen for crew while taking aerial photographs, plus quarters and subsistence for about 12 men. Assuming that one-half the job could be completed the first year.

| | |
|---|---|
| Photography . . . . . | $ 750,000 |
| Aviation gasoline. . . . . | 75,000 |
| Oxygen. . . . . | 1,000 |
| Quarters and subsistence. . . . . | 16,000 |
| (four months of flying weather) | |
| 2. Technical and Scientific Work. Salaries of technical staff plus travel costs, instruments, etc. . | 614,400 |
| Housing and field transportation for geologists and engineers. I would anticipate some barrack space for single men and a few houses for married men who would wish to bring their families . . . . | 75,000 |
| Field transportation (2 power wagons and one Jeep station wagon per man). . . . . | 50,000 |
| Mosaic compilation one-half of total area, 45¢ per square kilometer ... . . . ... . . . . | 175,000 |
| 3. Exploration drilling with the equipment and drillers on hand . . . . . | 750,000 |
| Three churn drills to begin in the Riyadh region to explore for stock water and possible supplemental water for the City of Riyadh. . . . . | 60,000 |
| Drillers and crews for these rigs . . . . . | 50,000 |
| Six Kenworth trucks for the three drilling rigs. . | 120,000 |
| Trailers and camping equipment for the drilling crew | 15,000 |
| General manager for watching drilling operations and liaison with U.S. Government technicians and Ministry of Finance. . . . . | 20,000 |
| 4. Development drilling, pumps and motors, windmills, installation and maintenance . . . . . | 1,000,000 |
| | 3,771,400 |

The problem of development of the Jizan harbor remains to be solved. A few preliminary surveys of a reconnaissance nature have been made by the Baker engineers and by the FAO engineers, although the harbor is outside the field of responsibility of FAO. These surveys show that some simple improvements of the harbor could be made by construction of a small pier or jetty at a rather low cost. Such simple improvements could serve the immediate needs, but are believed to be insufficient needs which would arise from large scale development of the South Tihama area.

It is therefore requested that the United States Government consider a cooperative project of development of the Jizan harbor in two stages: (1) survey, planning, and construction of a small pier or jetty; (2) survey and planning for future development of the Jizan harbor to proceed with the economic development of the South Tihama basin in order to meet the needs of the basin as development progresses. As the execution of phase one of this development program is urgent, it is requested that consideration be given to the undertaking of this project as rapidly as possible. For your information, we are enclosing a copy of the cost estimate and information on possibilities of construction materials near Jizan City, which was prepared through the courteousies of the FAO Mission.

Comments on Program & Budget

TECHNICAL COOPERATION ADMINISTRATION
Jidda, Saudi Arabia

MEMORANDUM June 13, 1953

TO: John A. Dunaway, Acting U.S. Director of Technical Cooperation in Saudi Arabia

FROM: W. J. Edens, Chief, Agriculture Division

SUBJECT: Natural Resources Development basic to improving Agriculture in Saudi Arabia

Nothing is needed more in Saudi Arabia than to improve agricultural production. It is well recognized that the country must depend on the importation of large quantities of food and fiber, and the most of the people than are living on a meager subsistence level.

The shortage of water in Saudi Arabia poses a serious problem in all phases of its economy. Increasing the water supply in desert situations is usually expensive, as well as drainage work in coastal areas. Transportation and marketing are concomitant problems.

There are many locations in Saudi Arabia where basic resources development work can begin. From an agricultural viewpoint and its part in maintaining the welfare of the people, I recommend that serious consideration be given to the following:

1. Reconstructing a reservoir dam up the wadi from Abha, the capitol of the Asir. This would provide cropping the year around and greatly increase the food supply of the people as well as the livestock. It would also increase agricultural production farther down the Abha wadi. This would require an expenditure of about $250,000 - (TCA).

2. Set up a drainage project in the Dammam-Qatif area. This is an important farm section but the crops produced are limited by a very high water table. Drainage ditches, and possibly tidal gates, should permit much increase in production. Improvement in the over-all irrigation system is needed. $150,000 for this.

3. In the important farming area of Hofuf, drainage is a serious problem, as well as the proper use of the water available. Considerable land has become unusuable because of the increased salt condition. Drainage ditches leading to the sea are needed. Other needs are the drilling of additional wells, repairing of wells, and reconstruction of

parts of the irrigation system. The estimated cost of this is $200,000.

4. New lands are being reclaimed between Qatif and El Kharj (300 miles) by Saudis by the drilling of wells. Practically no attention is being given to leveling this new land so that modern methods of production can be employed. A land leveling team should be put into that area for the next one to two years to demonstrate appropriate ways of leveling land for agricultural production. This work should be very effective since the Saudis are now following leveling methods practiced centuries ago. - $75,000.

WJEdens:o

Economic Development

UNITED STATES OF AMERICA
TECHNICAL COOPERATION ADMINISTRATION
American Embassy
Jidda, Saudi Arabia

MEMORANDUM

June 13, 1953

TO: Mr. John A. Dunaway, Acting U. S. Director of Technical Cooperation in Saudi Arabia

FROM: Edward Betzig, Acting Program Officer EB

SUBJECT: Proposed Projects for Saudi Arabia - TCA Economic Development

1. Qatif -- Drainage, Tidal Gate, Land Leveling Project

Extent cultivated - 12,000 acres

1,000,000 date palms

Potential truck garden area - variety planting if water table lowered and land leveled.

Cost: $75,000 - Pilot works in drainage and tidal gate.

2. Dammam -- Land Survey, Drainage, Tidal Gate, Land Leveling

New land being brought in, abundant water, center of growing industrial complex - Dammam, El Kobar, Dhahran, etc.

Cost: $75,000

3. Hasa Oasis (Hofuf) -- Land, Water Use, Drainage, Sand Drift Control, Well Drilling
(now has 27,000 acres)

Reported excess winter water to be used on new land (perhaps 1-3,000 acres) to grow wheat.

Cost: $200,000

4. Abha -- Storage Dam

Cost: $500,000 (much of this to be borne locally)

TCA $250,000

5. Qizan Harbor Improvement

Cost: $100,000 (?)

6. Natural Resources - Aerial Survey

Cost: $2,000,000

7. Natural Resources - Expanded Water Program

$500,000

8. Natural Resources - Expanded Mineral Survey

$100,000

9. Kharj - Riyadh - Land Leveling Demonstration

$75,000

10. Yenbo Harbor Improvement

Cost: $50,000 - Survey and initial works

11. Fertilizer Plant - Further engineering report - Study of financing

Cost: $50,000

12. Pilot Plant - for new techniques distillation salt to fresh water.

$100,000

13. Qizan Land Development -- Shift from FAO to TCA technicians - Begin pilot projects

Cost: $200,000 (?)

14. Roads - Survey -- Darb-Abha, Abha-Jidda

Cost: $200,000 (?)

15. Conduct survey of potential small light industry - materials available, etc.

Cost: $100,000

File 2

Agri Budget

TECHNICAL COOPERATION ADMINISTRATION
Jidda, Saudi Arabia

MEMORANDUM June 13, 1953

TO: John A. Dunaway, Acting U.S. Director of Technical Cooperation in Saudi Arabia

FROM: W. J. Edens, Chief, Agriculture Division

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WJEdens:o

CONFIDENTIAL

Sent Dept. 898 from Jidda. June 1, 1953

TOTEC

Urtel 641 argument and reasoning would do nothing toward reducing SAG resentment against disparity overall aid compared with other mideast countries. Following comment on certain points:

1-A. SAG slowness realizing that Point 4 is confined only to technicians and supplies for demonstration inevitable in view of well advertised millions direct financial aid in addition to technical in Egypt, Iran, Lebanon, Israel and other mideast countries. However budget FY-54 fails to provide supplies even for demonstration and hence renders TCA ineffective in education, health, agriculture, natural resources and transportation.

1-B. Allegation as to SAG aversion to afford opportunity TCA work within governmental structure designed to profit from this type aid not clear. SAG has certainly profited from advice public finance and natural resources and shows eagerness to do so in other fields. If you mean general backwardness governmental affairs point has validity but this condition well-known and should have been taken into account when SAG persuaded to accept expanded program. Failure to implement this expanded program cannot properly be blamed entirely on SAG. In fact, it was to remedy this general type of backwardness that TCA program designed.

2. Possibility for not ruling out additional program not sufficiently definite for intelligent planning.

4-A. Comparison SAG with other operating budgets prima facie evidence aid based on considerations other than need, comparative population, general level of culture and inherent difficulties. Comparison omits additional grants for direct economic aid and special projects Israel, Iran, Egypt and other countries. Reference Venezuela meaningless to SAG which always and quite understandably draws comparisons with reference neighboring states.

4-C. Is inconsistent with 1 and would confuse SAG. Further argument on theoretical grounds apparently useless, but from practical standpoint the situation as seen from here is that effective program of scope envisaged by agreements cannot be carried out on basis of proposed budget. Sending airmail views of division chiefs on minimum needs. Except for natural resources these requirements are for equipment and supplies for demonstration pilot projects. NR requires additional staff technical work for expanded water development which is considered prime importance and key to situation. If friendly relations with SAG are important by reason of American strategic and oil interests, an ineffective TCA will contribute nothing to this end. Fact is that from standpoint high policy Saudi Arabia occupies special position in our planning and impossible reconcile treating as valued friend on one hand and whipping boy on other.

CONFIDENTIAL

What we need is allocation of a definite sum from MSA funds commensurate with Saudi needs strategic importance and sufficient to implement effectively planned program and to take care special projects in keeping with TCA objectives. We would thus have bargaining power and room for maneuver. This would eliminate long delays and uncertainty in negotiating additional grants since merits only of projects would need consideration and approval. Reason to believe top level State and MSA officials recently visiting SA understand situation and will give sympathetic consideration. Therefore urge soonest presentation.

HARE

JADunaway/RAHare/wbg

Economic Dev.



With Respect to Each Area:

(1) What is the military, political and economic significance to the United States of the area?

(2) What are U.S. objectives, military, political and economic in the area?

(3) What is general U.S. policy in the area, what, if any, is its strategic plan, and how do the proposed aid programs fit into that plan?

With Respect to Each Country:

(4) What is the military, political and economic significance to the United States of the country?

(5) What are U.S. objectives, military, political and economic in the country?

(6) What is general U.S. policy in the country?

With Respect to Each Country Receiving Military Aid:

(7) What are the precise objectives, both military and political, of the proposed military aid program?

(8) What are the force levels required to achieve these objectives? What are the equipment requirements?

(9) What does the country now have, and what can it be expected to do for itself?

(10) What has been accomplished by our military aid program to date? What is the progress to date on deliveries?

(11) What are the components of the proposed program?

(12) What are the delivery prospects, realistically? How much is to be gained by securing additional obligational authority in FY 1953?

(13) How much of the total task of achieving our objectives will be accomplished in FY 1953 and how much will remain to be done, in concrete terms and in terms of dollars? What is the plan for the future?

(14) Why would a smaller program for FY 1953 fail of meeting U.S. objectives and why would a larger program be undesirable or unnecessary?

(15) What would be the consequence of not providing military aid for the country in FY 1953?

(16) How does the military aid program fit into other aid programs for the country?

With Respect to Each Country Receiving Economic Aid:

(17) What are the basic military and/or political objectives of the proposed economic aid program?

(18) What are the current political, social, and economic conditions which militate most strongly against the achievement of these objectives? (It may be appropriate to answer by areas within the country).

(19) What is our plan for remedying these conditions and over what period of time? Describe specifically the various economic goals sought to be achieved in that period -- e.g. X% improvement in average income, Y% improvement in literacy, eradication of Z disease, etc., etc., -- and the progress expected in FY 1953.

(20) If possible, indicate to what extent achievement of the economic goals set forth will represent achievement of the basic military and political objectives referred to in (17).

(21) What have economic aid programs to date accomplished?

(22) In the proposed program what is assumed with respect to completion of the FY 1952 program during FY 1952?

(23) What are the components of the proposed program? Give best descriptions and statistical summaries available, by major project categories, and by needs for technical experts and principal commodities. How much will recipient country contribute, financially and otherwise?

(24) How is the proposed program related to the military aid program to the country, if any? What portion of it is "designed to sustain and increase (the country's) military effort" (MSA. Sec. 503)?

(25) Will the value of the present proposed program be negated if aid is discontinued in the future?

(26) If the country is in a comfortable dollar position, why is dollar assistance necessary?

(27) If dollars are needed to cover local costs, why?

(28) What provision is made, if any, for loan assistance under this program (Sec. 522 of M.S.A.)?

(29) How is the proposed program related to prospects for private investment, Ex-Im Bank and IBRD loans, UN and other non-U.S. technical assistance programs? Why would these sources not have filled the needs to be met by this program?

(30) How does this program fit into other programs in the area and, where relevant (e.g. Indochina), in other areas?

DRAFT(2)
EBetzig
May 28,1952

EBETZIG

(Proposed project agreement re Program Direction and Economic Development)

ARTICLE I

Reference is made to Article I, Section I, of the Point Four General Agreement for Technical Cooperation signed by the representatives of the Government of the Kingdom of Saudi Arabia and of the United States of America at Jidda, January 17, 1951, which provides that subsidiary understandings may be agreed upon by duly designated representatives of the Kingdom of Saudi Arabia and of the Technical Copperation Administration of the United States of America.

ARTICLE II

In order to coordinate and expand the program of technical assistance and economic development in the various fields agreed upon, the immediate representative of the Technical Cooperation Administration in Saudi Arabia shall be the United States Director of Technical Cooperation in Saudi Arabia. He and his staff shall be a part of the

diplomatic mission of the Government of the United States of America in Saudi Arabia, and shall share fully in the privileges and immunities enjoyed by that mission and its personnel.

ARTICLE III

As a means of fulfilling this program, the Technical Cooperation Administration shall provide, within the limits of available funds, for the following:

a. To furnish the Director of Technical Cooperation and such staff members as are necessary to carry out the work of program direction and economic development. The Director and other members of the staff shall be selected and appointed by the Government of the United States of America, but shall be acceptable to the Government of Saudi Arabia.

~~Acceptable to the Government of Saudi Arabia, to work with the appropriate departments of the Government of Saudi Arabia, the Director and staff members will render services in the fields of _____ and such other fields as might be mutually agreed~~ upon. The Government of the United States of America will pay the salaries and allowances of these personnel as well as the cost of their travel and transportation of their personal effects to Saudi Arabia and return, in accordance with the laws and regulations of the United States of America.

BELIEVE NOT APPLICATE

B provide, to an extent subsequently to be agreed upon, for the in-service and specialized training in the United States of Saudi Arabian leaders and trainees

b. To supply, to an extent subsequently to be agreed upon, equipment and materials necessary

to the effectiveness of the work of the Director and staff members, but not obtainable in Saudi Arabia.

ARTICLE IV

The Government of Saudi Arabia, in order to bear fair share of the cost of program, agrees to:

a. Provide suitable housing accommodations and furniture, office space and equipment, secretarial - interpretor - translator and related assistants necessary to the successful implementation of the program;

b. Pay costs of land, building, improvements, local materials and labor necessary to the effectiveness of the ~~mx~~ work of the Director and staff; (Probably not needed)

c. Provide transportation within Saudi Arabia of Director and staff(as well as transportation)(Costs to and from the United States of America of Saudi Arabians nominated under Article III,paragraph B)

[redacted]

ARTXXXX

d. Assign appropriate (technicians)(?) and whatever other Saudi Arabian staff are justified by the program to work with the United States Diredtor and his immediate staff.

ARTICLE V

It is understood that the implementation of the project shall be governed by the terms of the above - mentioned General Agreement, Technical Cooperation Administration.

This understanding is to be effective for a period of three years from the date of signature, or until one month after either Government shall have given notice in writing to the other of the intention to terminate said understanding - whichever is earlier.

This understanding is prepared in duplicate and signed at the Ministry of Foreign Affairs on _____ of _____19 __.

| | |
|---|---|
| (Samuel S. Stratton)<br>U. S. Director of Technical<br>Cooperation in Saudi Arabia | ( H.R.H.Prince Faisal)<br>Minister, Foreign Affairs<br>Kingdom of Saudi Arabia |

DRAFT
EBetzig
May 21, 1952

DRAFT 1
(see Draft 2
May 28)

MEMORANDUM OF UNDERSTANDING
BETWEEN THE
GOVERNMENT OF THE UNITED STATES
AND THE
GOVERNMENT OF SAUDI ARABIA
COVERING TECHNICAL COOPERATION IN THE FIELD OF
PROGRAM DIRECTION AND ECONOMIC DEVELOPMENT

Art I

Reference is made to Article 1 of the General Point Four Agreement signed by the representatives of the Government of Saudi Arabia and of the United States of America at Jidda on January 17, 1951, which provides that subsidiary understandings may be agreed upon by the duly designated representatives of Saudi Arabia and of the Technical Cooperation Administration of the United States of America. (1)

Art II

In order to coordinate and expand the program of technical assistance and economic development in the various fields agreed upon, the immediate representative of the Technical Cooperation Administration in Saudi Arabia shall be the United States Director of Technical Cooperation. He and his staff shall be a part of the diplomatic mission of the Government of the United States of America in Saudi Arabia, and shall share fully in the privileges and immunities enjoyed by that mission and its personnel.

Art III

As a means of fulfilling this program, the Technical Cooperation Administration shall provide, within the limits of available funds, for the following:

a. The Director of Technical Cooperation and such staff members as are necessary to carry out the work of program direction and economic development. The Director and other members of the staff shall be selected and appointed by the Government of the United States of America, but shall be acceptable to the Government of Saudi Arabia. Art III The Government of Saudi Arabia ~~will make available~~ shall provide at its expense the following:

b. suitable housing accommodations and furniture, office space and office equipment, stenographic-translation services, ~~transporation in Saudi Arabia~~, and Saudi Arabian Government personnel or professional group people when necessary.

c. It is understood that the implementation of the agreement shall be governed by the terms of the above-mentioned General Agreement for Technical Cooperation.

This understanding is to be effective for a period of three years from the date of signature, or until one month after either Government shall have given notice in writing to the other of the intention to terminate said understanding, whichever is earlier.

This understanding is prepared in duplicate and signed at the Ministry of Foreign Affairs on _____ of _____19__.

| | |
|---|---|
| _____ | _____ |
| (Samuel S. Stratton) | (_____) |
| U. S. Director of Technical | (TITLE) |
| Cooperation in Saudi Arabia | for the |
| for the | |
| Technical Cooperation Administration | Ministry of Foreign Affairs |

DEPARTMENT OF STATE
FS Form No. 435
Revised June 1949

# CROSS-REFERENCE SHEET

# DOCUMENT FILE

## NOTE

SEE Natural Resources FOR Economic Assistance
"Expanded Water Develop."

FROM ( ) DATED
TO NAME

16—53422-2 GPO

REGARDING:

DEPARTMENT OF STATE
FS Form No. 435
Revised June 1949

# CROSS-REFERENCE SHEET

# DOCUMENT FILE

## NOTE

SEE Letters of Request FOR Economic Develop.

FROM ( ) DATED

TO NAME

16—53432-2 GPO

REGARDING:

Econ
DW.

DRAFT AGREEMENT

BETWEEN THE

GOVERNMENT OF THE UNITED STATES

AND THE

GOVERNMENT OF _____

FOR A

COOPERATIVE PROGRAM OF ECONOMIC DEVELOPMENT AND TECHNICAL

ASSISTANCE IN FY 1952

The Government of _____ and the Government of the United States of America agree as follows:

ARTICLE I

Pursuant to the General Agreement for Economic and Technical Cooperation and Assistance signed by the two governments at _____ on _____, and to the request of the Government of _____, a cooperative program in agriculture, education health, etc. shall be initiated in _____.

The objectives of this cooperative program are to maintain and strengthen the security of the two governments, to promote world peace and international understanding and good will, and to further the general welfare and firendship of the peoples of _____ and the United States; to furnish technical and economic assistance to the people of _____ for the general improvement and development of the economy in these fields and to stimulate and increase the interchange between the two countries of knowledge, skills and techniques.

ARTICLE II

1. The Government of the United States of America, subject to the terms and conditions prescribed by law and to arrangements provided for in the General Agreement for Economic and Technical Assistance and Cooperation and in this Agreement, will furnish to the Government of _____ economic and technical assistance within the fields of agriculture, education and health as may be requested by it and agreed to by the Government of the United States of America.

2. To effectuate

2. To effectuate this cooperative program the Government of the United States of America will furnish a field staff of specialists to collaborate with (Alternative A) the Ministries of Agriculture, Health, Education, etc.; or (Alternative B) Joint Economic Development Commission or Development Board. The field staff shall be under the direction of a Country Director of Technical Cooperation and shall be of such size and composition as the Government of the United States of America shall deem advisable. In cooperation with (Alternative A) the Ministries of Agriculture, Health, Education, etc.; or (Alternative B) Joint Economic Development Commission or Development Board of _____, the appropriate members of the Field Staff will develop and carry out activities of the following types:

a. Studies and surveys of the needs of _____ in the fields named in Article I above, the resources available, and the formulation, administration and continuous adaptation of a program adequate to enable _____ to meet such needs.

b. The initiation and administration of projects in these fields.

c. Training activities in these fields.

d. The purchase of equipment, supplies and materials needed in carrying out the program in _____ provided for in this Agreement.

e. The use of other methods and means which may be considered appropriate by the two governments for the accomplishment of this cooperative program.

ARTICLE III

1. The two governments agree to establish a joint fund in a special account in _____ Bank in _____ into which each party will deposit the contributions provided for in Article IV and V of this Agreement. Expenditures shall be made from such joint fund by drafts or checks signed by the appropriate designated officer in the United States Field Staff and the (Alternative A) Ministers of Agriculture, Health, Education, etc.; or (Alternative B) by the Director of the Joint Commission or Development Board in _____ and for

the purpose

the purpose of financing projects which shall have been agreed upon between the appropriate officer in the United States Field Staff and the (Alternative A or Alternative B). These project agreements shall designate the kind of work to be done; shall make the allocation of funds therefor; and shall contain such other matters as the parties desire to include. Upon substantial completion of any project a "completion agreement" shall be drawn up and signed by (Alternative A or Alternative B) and the appropriate designated Staff Oficer, which shall provide a record of the work done, the costs thereof, the problems encountered and solved, and related basic data.

2. The appropriate designated officer of the Field Staff shall act as the director of the cooperative program in each field. This officer, with the concurrence of (Alternative A or Alternative B) shall determine the general policies and administrative procedures that are to govern the cooperative program in his field the carrying out of projects and operations, the disbursement of and accounting for funds, the incurrence of obligations, the purchase, use, inventory, control and disposition of property, the appointment and discharge of officers and other personnel, the terms and conditions of their employment and other administrative matters, pursuant to authorities granted him by the Director of Technical Cooperation.

3. All contracts and other instruments and documents of the cooperative program in each functional field relating to the execution of projects previously agreed upon shall be signed by the Chief. The books and records relating to the cooperative program shall be open at all times for inspection and audit by authorized representatives of _____ and the United States.

4. The Director of Technical Cooperation shall make an annual report of the activities of the cooperative program to the Government of _____ and to the Government of the United States of America and other reports at intervals which may be agreed on by the parties hereto.

6. It is contemplated

5. It is contemplated that the projects to be undertaken pursuant to this Agreement will include assistance to, and cooperation with, national and local government agencies in _____, as well as with organizations of a public or private character.

6. By agreement between (Alternative A) and the designated officer of the United States Field Staff or (Alternative B) and the United States Country Director, contributions of funds, property, services and facilities by either or both parties, or by third parties, may be accepted for use in the cooperative program in addition to the contributions required under this Agreement.

ARTICLE IV

1. The United States will contribute to this cooperative program:

The funds necessary to pay the salaries and other expenses of the American members of the Field Staff; and, in addition, from the effective date of this agreement to June 30, 1952, the United States of America shall deposit in the joint fund special account the sum of _____ in currency of the United States of America as follows:

For projects in agriculture: _____

For projects in health: _____

For projects in education: _____

For projects in etc.: _____

For projects in etc.: _____

2. The Government of _____ for the period from the effective date of this agreement through June 30, 1952 shall deposit in the joint fund special account the sum of _____ as follows:

For projects in agriculture: _____

For projects in health: _____

For projects in education: _____

For projects in etc.: _____

For projects in etc.: _____

3. Any of the funds deposited by the United States in the special account shall be exchanged at the highest rate which, at the time the exchange is made, is available to the Government of the United States for its diplomatic and other expenditures in _____.

4. Funds deposited

4. Funds deposited by either party and not matched by the required deposit of the other party shall be returned to the contributor upon request. Subject to this provision, the balances of all funds deposited in the special account pursuant to previous agreements by the Government of _____ and the United States, as well as funds deposited pursuant to Article III, Section 7 of this Agreement, shall continue to be available for the cooperative program during the existence of this Agreement without regard to annual periods or fiscal years of either of the parties. All materials, equipment and supplies acquired for projects within the cooperative program shall become the property of the Government of _____ and shall be used for the furtherance of this Agreement.

5. The Government of _____, in addition to the cash contribution provided for in Section _____ above, at its own expense may appoint specialists and other necessary personnel to work in the cooperative program; make available office space, equipment, furnishings and such other facilities, materials, equipment, supplies and services as it can conveniently provide for this program and make available the general assistance of other government agencies of the Government of _____ for carrying out this program.

6. Interest received on funds in the special account and income from program operations and from the sale of property or produce and any other increment of assets of whatever nature or source, shall be devoted to the carrying out of the program and shall not be credited against the contribution of the Government of _____ or of the Government of the United States of America.

Article V

ARTICLE V

1. Where funds, commodities or services are made available to the Government of _____ on a grant basis, the Government of _____, recognizing that the success of this program will depend upon expenditures of local currency in addition to the aid rendered by the Government of the United States of America, will establish a special account in the Bank of _____ in _____ in the name of the Government of _____, hereafter called the "Local Currency Account", and will make deposits in local currency to this account as follows:

(a) The local currency accruing to the Government of _____ from the sale of commodities or services supplied under this Agreement, or otherwise accruing to the Government of _____ as a result of the import of such commodities or services, shall be deposited upon receipt of such local currency.

(b) If the amount deposited under subparagraph (a) does not equal an amount of local currency commensurate with the dollar value indicated in the notifications of the commodities and services made available under this Agreement and in the opinion of the Government of the United States of America appears insufficient for local currency expenditures incident to the assistance program, the Government of _____ shall, when requested by the Government of the United States of America, deposit additional amounts of local currency, provided that the total deposits shall not exceed such commensurate value. The rate of exchange to be used for the purpose of computing the commensurate value shall be the par value for the _____ agreed at such time with the International Monetary Fund, provided that this agreed par value is the single rate applicable to the purchase of dollars for imports into _____. If no such par value has been agreed, the rate shall be the highest

be the highest rate of exchange of the dollar in terms of _____ which is lawfully available, at the time of each request for deposit under this subparagraph, in _____ to any legal personality and which is then applicable to imports into _____. The Government of _____ may at any time make advance deposits in the Special Account which shall be applied against subsequent requests for deposits pursuant to this paragraph.

2. The Government of the United States of America will from time to time notify the Government of _____ of its local currency requirements for administrative expenditures incident to the furnishing of assistance under this Agreement and for expenditures incident to the furnishing of technical assistnace, and the Government of _____ will thereupon make such sums available out of any balances in the Special Account in the manner requested by the Government of the United State of America in the notification.

3. The Government of _____ may draw upon any remaining balance in the Local Currency Account for such purposes beneficial to the Government of _____ and connected with the purposes of this Agreement as may be agreed to from time to time by the Government of _____ in consultation with the Government of the United States of America.

ARTICLE VI

1. The Government of _____ will cooperate by facilitating acquisition by the United States of America on reasonable commercial terms, no less favorable than those provided to nationals of other countries, of materials in which the United States of America is actually or potentially deficient, giving due regard to the reasonable requirements of the Government of _____ for the domestic use and commercial export of such materials.

2. The Government

2. The Government of _____ will cooperate with the Government of the United States of America to assure that procurement will be at reasonable prices and on reasonable terms. Commodities or services furnished hereunder may be distributed within the Government of _____ on terms and conditions mutuallt agreed upon between the Governments.

ARTICLE VII

1. The Governmnnt of _____ agrees to receive a Field Staff which will discharge the responsibilities of the Government of the United States of America under this Agreement and upon appropriate notification of the Government of the United States of America will consider this Field Staff and its personnel as part of the diplomatic mission of the United States of America in the Government of _____ for the purpose of enjoying the privileges and immunities accorded to that mission and its personnel of comparable rank. The Government of _____ will further give full cooperation to the Field Staff including the provision of facilities necessary for observation and survey of the carrying out of this Agreement including the use of assistance furnished under it.

2. All the rights and privileges which are enjoyed by governmental divisions or agencies of _____ or by their personnel shall accrue to the American Field Staff and to all its personnel to the same extent to which they are available to such other government divisions or ggencies or their personnel. Such rights and privileges s all also accrue to TCA, with respect to those of its operations which are related to, and its property which is to be used for the cooperative program of agriculture.

3. Any right, privilege, power or duty conferred by this Agreement upon either a Minister of the Government of _____ or the Director of a Joint Commission or Development Board or the delegated American Officer in the Field Staff may be delegated by either of them to any of his assistants, provided that each such delegate shall be

delegate shall be satisfactory to the other party to this Agreement. Whether or not such delegates are named, the Ministers of the Director of a Commission or Board and the American Staff Officer shall retain the right to refer any matter to one another for discussion and decision. The Government of _____ shall take the necessary steps to obtain such legislative and executive action as may be required to carry out the terms of this Agreement.

4. The Government of _____ and the TCA recognize that it is in their mutual interest that full publicity be given to the objectives and progress of this cooperative program and its components and of the actions taken in furtherance of that program, in order to strengthen the sense of common effort which is essential to the achievement of the objectives of this program. The Government of the United States and the Government of _____ agree to encourage the dissemination of such information through all media of public information.

ARTICLE VIII

This Agreement shall become effective upon signature by both parties and shall remain in force through June 30, 1952, unless previously terminated upon sixty days notice in writing by either party to the other. Upon completion or previous termination of this Agreement, the balance of the deposits to the credit of the joint fund special account, unless otherwise agreed upon in writing by the parties hereto at that time, shall be returned to the parties hereto in the proportion of the respective contributions made by the Government of _____ and the Government of the United States.

Signed this _____ day of _____, 1951 at _____.

FOR THE GOVERNMENT OF THE UNITED STATES:

_____

FOR THE GOVERNMENT OF _____:

_____